

Greater Tzaneen Municipality  
Annual Financial Statements  
for the year ended 30 June 2014

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## General Information

---

### Nature of business and principal activities

Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996).

GTEDA is a municipal entity performing the functions consistent with that of an entity.

### Jurisdiction within which the Municipality operates

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km<sup>2</sup>, and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadiskloof in the north, to Trichardsdal in the south (47km).

### Executive committee

#### Mayor

#### Members of the Executive Committee

Councillor DJ Mmetle

Councillor DJ Mmetle

Councillor C Machimana (Finance)

Councillor M Mokgomole (Sport, Recreation, Art and Culture)

Councillor RE Pohl

Councillor C Nkhwashu (Special Programmes)

Councillor RR Selomo (Infrastructure)

Councillor S.J Nkuna (Health, Environment and Social Development)

Councillor B Sekgotodi (Public Transport and Safety and Security)

Councillor MS Maunatlala (Economic Development, Housing and Spatial Development Plan)

Councillor MR Shingange (Corporate Gov. and Shared Services)

Councillor P Machete (Speaker)

Councillor MN Mboweni (Chief Whip)

### Ordinary Councillors

Councillor S Mbhalati (MPAC Chairperson)

Councillor C Baloyi

Councillor KO Banyini

Councillor ML Hlangwane

Councillor AJ van Vuuren

Councillor MM Letsoalo

Councillor MD Mabape

Councillor G Mabuza

Councillor NM Mahasha

Councillor S Mahori

Councillor MR Makhudu

Councillor SC Makwala

Councillor M Makwala

Councillor A Makwala

Councillor C Mamogale

Councillor MG Mangena

Councillor SP Masetla

Councillor BM Mashava

Councillor NA Masila

Councillor L Matita

Councillor M Sabela

Councillor M Mbhalati

Councillor MS Mboweni

Councillor DQ Mhlari

Councillor MD Hlangwini

Councillor MM Mmola

Councillor TS Manyama

Councillor MM Mohale

Councillor L Mohale

Councillor T Mokgobi

Councillor MJ Mokgoloboto

Councillor ST Mushwana

Councillor DG Mushwana

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## General Information

---

Ordinary Councillors (continued)

Councillor M Malebati  
Councillor M McNeil  
Councillor ML Ncha  
Councillor ND Ndhlovu  
Councillor D Maake  
Councillor DL Ndove  
Councillor GG Nghondzweni  
Councillor RP Nghonyama  
Councillor GE Ntimbane  
Councillor K Nukeri  
Councillor B Mashele  
Councillor J Mothiba  
Councillor ML Pudikabekwa  
Councillor MS Raganya  
Councillor PJ Ramodipa  
Councillor ME Ramolefo  
Councillor NR Rikhotso  
Councillor ML Mhlongo  
Councillor N Nkhwashu  
Councillor MH Magoro  
Councillor M Sibiya  
Councillor M Valentine  
Councillor NH Zandemela

Grading of local authority

Grade 4: High capacity

Chief Finance Officer (CFO)

Norah Mokgadi Lion

Acting Municipal Manager

Obby Zophanie Mkhombo

Registered office

Agatha Street  
Civic Centre  
Tzaneen  
0850

Business address

Greater Tzaneen Municipality  
Agatha Street  
Civic Center  
Tzaneen  
0850

Greater Tzaneen Municipality

Postal address

PO Box 24  
Tzaneen  
0850

Bankers

ABSA

Website address

[www.tzaneen.gov.za](http://www.tzaneen.gov.za)

Audit committee

TC Modipane (Chairperson)  
FJ Mudau  
HG Hlomane  
SAB Ngobeni  
Adv. SST Kholong

Level of rounding

Rounding to the nearest Rand

# **Greater Tzaneen Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **General Information**

---

AGSA

Senior Manager: MD Tjale  
Telephone number: 015 283 9336  
E-mail address: dtjale@agsa.co.za

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Accounting Policies	15 - 35
Notes to the Annual Financial Statements	36 - 75
Appendixes (Unaudited):	
Appendix A: Schedule of External loans	76
Appendix B: Analysis of Property, Plant and Equipment	77 - 82
Appendix C: Segmental analysis of Property, Plant and Equipment	83
Appendix D: Segmental Statement of Financial Performance	84
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	85
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	86

### Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GTEDA	Greater Tzaneen Economic Development Agency
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards. In ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

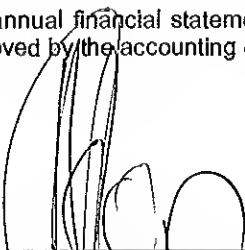
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 6 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:

---

Obby Zophania Mkhombo  
Acting Municipal Manager

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Officer's Report

---

The accounting officer submits his report for the year ended 30 June 2014.

### 1. Review of activities

#### Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km<sup>2</sup>, and extends from Haenertsburg in the West, to Rubbervale in the East (85km), and just South of Modjadiskloof in the North, to Trichardsdal in the South, (47 km).

The operating results for the year were satisfactory for the following reasons.

#### Financial review

This review highlights the Municipality's performance for the past year but does not in any way attempt to provide detail of the performance. Full detail appear in the annual financial statements.

#### Overview of the Municipality's Results

The main revenue sources of the Municipality is:

- Property rates;
- Service charges and
- Government grants and subsidies.

Whilst the highest expenditure items are:

- Employee related costs;
- Bulk purchases and
- Repairs and maintenance.

Council has embarked on implementing a range of revenue collecting strategies to optimise the collection of debt owned by Consumers. Furthermore, Council undertook a billing data cleanup exercise which held good results.

With regard to expenditure management the cost containment measures approved by Cabinet on 23 October 2013 have been introduced through the 2014/2015 budget process and will be complied with.

Net surplus of the municipality was R 150 940 465 (2013: deficit R 37 329 709).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Obby Zophania Mkhombo	South African

### 5. Auditors

Auditor General of South Africa will continue in office for the next financial period.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Notes	2014	2013 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	16 343 697	23 292 390
Other financial assets	4	1 358 768	539 730
Operating lease asset	5	130 749	159 323
Receivables from exchange transactions	6	194 302 064	192 154 652
Receivables from non-exchange transactions	7	423 657	-
Consumer debtors	8	98 092 371	76 340 857
Cash and cash equivalents	9	23 822 041	10 876 224
		<u>334 473 347</u>	<u>303 363 178</u>
<b>Non-Current Assets</b>			
Investment property	10	185 758 000	175 463 000
Property, plant and equipment	11	1 698 645 811	1 553 084 592
Intangible assets	12	156 234	131 570
Other financial assets	4	6 646 402	4 953 416
		<u>1 891 208 447</u>	<u>1 733 632 578</u>
<b>Total Assets</b>		<u>2 225 679 794</u>	<u>2 036 995 754</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	13	12 014 682	10 815 912
Finance lease obligation	14	2 138 569	3 078 821
Payables from exchange transactions	15	146 645 807	123 997 110
VAT payable	16	28 226 090	24 204 145
Consumer deposits	17	18 436 179	16 229 380
Unspent conditional grants	18	44 079 480	32 182 276
Provisions	19	2 614 676	273 487
		<u>254 155 483</u>	<u>210 781 131</u>
<b>Non-Current Liabilities</b>			
Other financial liabilities	13	107 631 294	119 654 076
Finance lease obligation	14	549 916	2 688 483
Employee benefit obligation	20	63 783 845	55 540 543
Provisions	19	3 159 975	2 872 705
		<u>175 125 030</u>	<u>180 755 807</u>
<b>Total Liabilities</b>		<u>429 280 513</u>	<u>391 536 938</u>
<b>Net Assets</b>		<u>1 796 399 281</u>	<u>1 845 458 816</u>
<b>Net Assets</b>			
Accumulated surplus		<u>1 796 399 281</u>	<u>1 645 458 816</u>

\* See Note 48



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Notes	2014	2013 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	363 356 429	375 089 292
Rental of facilities and equipment		872 882	1 292 420
Interest received - trading		17 343 422	8 731 739
Income from agency services		14 886 079	14 598 636
Licences and permits		540 614	483 245
Other income	22	10 658 340	9 043 153
Interest received - investment		2 164 145	3 901 063
<b>Total revenue from exchange transactions</b>		<b>409 821 911</b>	<b>413 139 548</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	66 345 319	81 059 598
Property rates - penalties imposed	23	4 770 262	4 216 707
<b>Transfer revenue</b>			
Government grants & subsidies	24	309 061 237	283 115 879
Donations	25	155 300 000	-
Fines		3 665 353	(1 528 798)
<b>Total revenue from non-exchange transactions</b>		<b>539 142 171</b>	<b>346 863 386</b>
<b>Total revenue</b>	28	<b>948 964 082</b>	<b>760 002 934</b>
<b>Expenditure</b>			
Employee costs	27	173 147 517	130 820 079
Remuneration of councillors	28	19 031 200	17 471 886
Loss on inventory		(744 777)	(164 010)
Depreciation and amortisation		109 423 977	103 096 459
Impairment of assets	29	8 404 148	-
Finance costs	30	11 799 488	16 330 762
Debt impairment		21 745 127	50 680 062
Collection costs		157 432	653 333
Repairs and maintenance	31	93 808 865	91 867 350
Bulk purchases	32	239 064 261	233 343 443
Contracted services	33	40 880 295	40 672 013
Grants and subsidies paid	34	32 291 163	23 481 039
General Expenses	35	57 470 003	45 419 574
<b>Total expenditure</b>		<b>806 078 699</b>	<b>753 671 990</b>
<b>Operating surplus</b>		<b>142 885 383</b>	<b>6 330 944</b>
Loss on disposal of assets and liabilities		(8 296 956)	(25 193 764)
Fair value adjustments		16 352 038	(18 466 889)
		<b>8 055 082</b>	<b>(43 880 653)</b>
<b>Surplus (deficit) for the year</b>		<b>150 940 465</b>	<b>(37 329 709)</b>

\* See Note 48

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 670 308 430	1 670 308 430
Adjustments		
Correction of errors	12 480 095	12 480 095
<b>Balance at 01 July 2012 as restated*</b>	<b>1 682 788 525</b>	<b>1 882 788 525</b>
Changes in net assets		
Surplus / (deficit) for the year	(37 329 709)	(37 329 709)
Total changes	(37 329 709)	(37 329 709)
<b>Restated* Balance at 01 July 2013</b>	<b>1 645 458 816</b>	<b>1 845 458 818</b>
Changes in net assets		
Surplus / (deficit) for the year	150 940 465	150 940 465
Total changes	150 940 465	150 940 465
<b>Balance at 30 June 2014</b>	<b>1 798 399 281</b>	<b>1 796 399 281</b>

\* See Note 48

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Notes	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash received from trade services, assessment rates and rental		399 366 132	357 386 419
Grants		320 958 441	275 378 158
Interest income		19 507 567	12 632 802
Cash received from agency fees, fines and sundry income		28 845 502	(67 778 888)
		<u>768 677 642</u>	<u>577 618 491</u>
<b>Payments</b>			
Employee costs		(180 141 984)	(144 009 520)
Cash paid to suppliers		(388 378 371)	(307 897 311)
Finance costs		(11 331 028)	(15 547 218)
Grants paid		(32 291 163)	(23 481 039)
		<u>(612 142 546)</u>	<u>(490 935 088)</u>
<b>Net cash flows from operating activities</b>	36	<u>158 535 098</u>	<u>86 683 403</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(109 311 628)	(102 665 267)
Proceeds from sale of property, plant and equipment	11	(6 988 457)	(20 331 280)
Purchase of investment property	10	(19 805 000)	(10 404 000)
Proceeds from sale of investment property	10	9 510 000	12 236 000
Purchase of other intangible assets	12	(110 879)	(135 310)
Purchase of financial assets		(2 512 024)	(369 164)
Proceeds from sale of financial assets		-	18 723 759
<b>Net cash flows from investing activities</b>		<u>(129 217 988)</u>	<u>(102 945 262)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(10 824 012)	(21 434 175)
Net movement in finance lease liabilities		(3 547 279)	(1 705 346)
<b>Net cash flows from financing activities</b>		<u>(14 371 291)</u>	<u>(23 139 521)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>12 945 817</u>	<u>(39 401 380)</u>
Cash and cash equivalents at the beginning of the year		10 876 224	50 277 604
<b>Cash and cash equivalents at the end of the year</b>	9	<u>23 822 041</u>	<u>10 876 224</u>

\* See Note 48

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 50 for explanation of material variances
--	--------------------	-------------	--------------	--	---	--

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	401 775 773	-	401 775 773	363 356 429	(38 419 344)	
Rental of facilities and equipment	259 100	-	259 100	872 882	613 782	
Interest received (trading)	18 000 000	-	18 000 000	17 343 422	1 343 422	
Income from agency services	44 448 250	-	44 448 250	14 886 079	(29 582 171)	
Licences and permits	345 000	-	345 000	540 614	195 614	
Other income	7 503 203	33 247 614	40 750 817	10 658 340	(30 092 477)	
Interest received - investment	3 001 000	-	3 001 000	2 164 145	(836 855)	
<b>Total revenue from exchange transactions</b>	<b>473 332 326</b>	<b>33 247 614</b>	<b>506 579 940</b>	<b>409 821 911</b>	<b>(98 758 029)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	51 460 000	-	51 460 000	66 345 319	14 885 319	
Property rates - penalties	3 900 000	-	3 900 000	4 770 262	870 262	
Government grants & subsidies	319 159 000	20 350 000	339 509 000	309 061 237	(30 447 783)	

##### Transfer revenue

Donations	-	-	-	155 300 000	155 300 000	
Fines	3 210 136	-	3 210 136	3 665 353	455 217	

<b>Total revenue from non-exchange transactions</b>	<b>377 729 136</b>	<b>20 350 000</b>	<b>398 079 136</b>	<b>539 142 171</b>	<b>141 063 035</b>	
---	--------------------	-------------------	--------------------	--------------------	--------------------	--

<b>Total revenue</b>	<b>851 061 462</b>	<b>53 597 614</b>	<b>904 659 076</b>	<b>948 964 082</b>	<b>44 305 008</b>	
----------------------	--------------------	-------------------	--------------------	--------------------	-------------------	--

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 50 for explanation of material variances
Figures in Rand						
<b>Expenditure</b>						
Employee related costs	(131 774 472)	-	(131 774 472)	(173 147 517)	(41 373 045)	
Remuneration of councillors	(18 618 694)	-	(18 618 694)	(19 031 200)	(412 508)	
Loss on inventory	-	-	-	744 777	744 777	
Depreciation and amortisation	(110 726 401)	-	(110 726 401)	(109 423 977)	1 302 424	
Impairment loss	-	-	-	(8 404 148)	(8 404 148)	
Finance costs	(11 489 393)	-	(11 489 393)	(11 799 488)	(310 095)	
Debt impairment	(11 006 000)	-	(11 008 000)	(21 745 127)	(10 739 127)	
Collection costs	(200 000)	-	(200 000)	(157 432)	42 568	
Repairs and maintenance	(100 111 875)	-	(100 111 875)	(93 608 865)	6 503 010	
Bulk purchases	(248 769 734)	-	(248 789 734)	(239 064 261)	9 705 473	
Contracted Services	(39 112 872)	165 000	(38 947 872)	(40 680 295)	(1 732 423)	
Grants and subsidies paid	(31 548 695)	(5 226 000)	(36 774 695)	(32 291 163)	4 483 532	
General Expenses	(77 995 583)	(7 610 000)	(85 605 583)	(57 470 003)	28 135 580	
<b>Total expenditure</b>	<b>(781 353 719)</b>	<b>(12 671 000)</b>	<b>(794 024 719)</b>	<b>(806 078 699)</b>	<b>(12 053 980)</b>	
<b>Operating surplus</b>	<b>69 707 743</b>	<b>40 928 814</b>	<b>110 634 357</b>	<b>142 885 383</b>	<b>32 251 028</b>	
Loss on disposal of assets	-	-	-	(8 296 956)	(8 296 956)	
Fair value adjustments	-	-	-	16 352 038	16 352 038	
	-	-	-	8 055 082	8 055 082	
<b>Surplus before taxation</b>	<b>69 707 743</b>	<b>40 928 814</b>	<b>110 634 357</b>	<b>150 940 465</b>	<b>40 308 108</b>	
<b>Actual Amount on Comparable Basis</b>	<b>69 707 743</b>	<b>40 928 814</b>	<b>110 634 357</b>	<b>150 940 465</b>	<b>40 308 108</b>	

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 50 for explanation of material variances
--	-----------------	-------------	--------------	------------------------------------	--	--

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	12 334 795	-	12 334 795	16 343 697	4 008 902	
Other financial assets	2 900 263	-	2 900 263	1 358 768	(1 541 495)	
Operating lease asset	230 000	-	230 000	130 749	(99 251)	
Receivables from exchange transactions	99 420 882	-	99 420 882	194 302 064	94 881 182	
Receivables from non-exchange transactions	-	-	-	423 657	423 657	
Consumer debtors	49 761 375	-	49 781 375	98 092 371	48 330 996	
Cash and cash equivalents	12 342 983	(12 342 983)	-	23 822 041	23 822 041	
	<b>176 990 298</b>	<b>(12 342 983)</b>	<b>164 647 315</b>	<b>334 473 347</b>	<b>169 828 032</b>	

##### Non-Current Assets

Investment property	208 608 792	-	208 608 792	185 758 000	(22 850 792)	
Property, plant and equipment	1 782 054 809	51 852 614	1 833 907 423	1 698 845 811	(135 261 612)	
Intangible assets	49 645	-	49 845	156 234	108 589	
Other financial assets	5 895 596	-	5 895 596	6 646 402	750 806	
	<b>1 996 808 842</b>	<b>51 852 614</b>	<b>2 048 481 456</b>	<b>1 891 206 447</b>	<b>(157 255 009)</b>	

#### Total Assets

	<b>2 173 599 140</b>	<b>39 509 631</b>	<b>2 213 108 771</b>	<b>2 225 879 794</b>	<b>12 571 023</b>	
--	----------------------	-------------------	----------------------	----------------------	-------------------	--

#### Liabilities

##### Current Liabilities

Other financial liabilities	11 790 493	-	11 790 493	12 014 682	224 189	
Finance lease obligation	3 094 134	-	3 094 134	2 138 569	(955 565)	
Payables from exchange transactions	94 349 112	-	94 349 112	146 645 808	52 298 896	
VAT payable	26 777 908	-	26 777 908	28 226 090	1 448 182	
Consumer deposits	19 380 000	-	19 380 000	18 436 179	(943 821)	
Unspent conditional grants	15 000 000	20 969 000	35 969 000	44 079 480	8 110 480	
Provisions	2 403 820	-	2 403 820	2 614 676	210 858	
	<b>172 795 487</b>	<b>20 969 000</b>	<b>193 784 487</b>	<b>254 155 484</b>	<b>80 391 017</b>	

##### Non-Current Liabilities

Other financial liabilities	120 018 468	-	120 018 468	107 631 294	(12 387 174)	
Finance lease obligation	4 421 746	-	4 421 746	549 916	(3 871 830)	
Employee benefit obligation	56 351 637	-	56 351 637	63 783 845	7 432 208	
Provisions	2 934 338	-	2 934 338	3 159 975	225 837	
	<b>183 728 189</b>	<b>-</b>	<b>183 726 189</b>	<b>175 125 030</b>	<b>(8 601 159)</b>	

#### Total Liabilities

	<b>356 521 656</b>	<b>20 969 000</b>	<b>377 490 658</b>	<b>429 280 514</b>	<b>51 789 858</b>	
--	--------------------	-------------------	--------------------	--------------------	-------------------	--

#### Net Assets

	<b>1 817 077 484</b>	<b>18 540 631</b>	<b>1 835 618 115</b>	<b>1 796 399 280</b>	<b>(39 218 835)</b>	
--	----------------------	-------------------	----------------------	----------------------	---------------------	--

#### Reserves

Accumulated surplus	1 817 077 484	18 540 631	1 835 618 115	1 796 399 280	(39 218 835)	
---------------------	---------------	------------	---------------	---------------	--------------	--

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 50 for explanation of material variances
--	--------------------	-------------	--------------	--	---	--

Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Cash received from trade services, assessment rates, rental and other	939 801 047	28 796 579	966 597 626	765 522 106	(203 075 516)	
Interest income	19 001 000	-	19 001 000	19 507 567	506 567	
	<b>956 602 047</b>	<b>28 796 579</b>	<b>967 598 626</b>	<b>765 029 675</b>	<b>(202 566 951)</b>	

##### Payments

Suppliers and employees	(863 273 141)	96 447 000	(766 626 141)	(617 163 551)	149 662 590	
Finance costs	(11 931 595)	-	(11 931 595)	(11 331 028)	600 567	
	<b>(675 204 738)</b>	<b>96 447 000</b>	<b>(776 757 736)</b>	<b>(626 494 579)</b>	<b>150 263 157</b>	

<b>Net cash flows from operating activities</b>	<b>83 597 311</b>	<b>125 243 579</b>	<b>206 840 890</b>	<b>156 535 096</b>	<b>(52 305 794)</b>	
---	-------------------	--------------------	--------------------	--------------------	---------------------	--

#### Cash flows from investing activities

Purchase of property, plant and equipment	(85 312 727)	(125 482 100)	(210 774 627)	(109 311 628)	101 463 199	
Proceeds from sale of property, plant and equipment	2 300 000	-	2 300 000	(8 988 457)	(9 288 457)	
Purchase of investment property	-	-	-	(19 805 000)	(19 805 000)	
Proceeds from sale of investment property	-	-	-	9 510 000	9 510 000	
Purchase of other intangible assets	-	-	-	(110 879)	(110 679)	
Purchase of financial assets	(1 100 000)	-	(1 100 000)	(2 512 024)	(1 412 024)	
<b>Net cash flows from investing activities</b>	<b>(64 112 727)</b>	<b>(125 462 100)</b>	<b>(209 574 627)</b>	<b>(129 217 986)</b>	<b>80 356 639</b>	

#### Cash flows from financing activities

Repayment of other financial liabilities and finance lease obligations	(10 141 601)	-	(10 141 601)	(14 371 291)	(4 229 690)	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(10 657 017)</b>	<b>(218 521)</b>	<b>(10 875 536)</b>	<b>12 945 817</b>	<b>23 621 355</b>	
Cash and cash equivalents at the beginning of the year	23 000 000	(12 124 000)	10 676 000	10 876 224	224	
<b>Cash and cash equivalents at the end of the year</b>	<b>12 342 963</b>	<b>(12 342 521)</b>	<b>462</b>	<b>23 622 041</b>	<b>23 621 579</b>	

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated otherwise.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 20.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

## **Accounting Policies**

---

### **1.4 Investment property (continued)**

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### **1.5 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### **Recognition**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

#### **Initial measurement**

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.5 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

#### Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	10 - 30
• Pedestrian malls	20
• Electricity	10 - 30
• Water	15 - 20
• Sewerage	15 - 20
• Housing	30
Community	
• Improvements	30
• Recreational facilities	20
• Security	3 - 5
Other assets	
• Buildings	30
• Specialist vehicles	20
• Other vehicles	5 - 7
• Office equipment	3 - 5
• Furniture and fittings	7 - 10
• Watercraft	15
• Bins and containers	5 - 10
• Specialised plant and equipment	5 - 15
• Other items of plant and equipment	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.6 Intangible assets

An asset is identified as an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

#### Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

#### Initial measurement

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

#### Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 5 years

#### Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.7 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest in another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.8 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

### 1.9 Inventories

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in, first out method, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.10 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.11 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.11 Impairment of non-cash-generating assets (continued)

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

## Accounting Policies

---

### 1.12 Employee benefits (continued)

#### Multi-employer plans and State plans

The entity classifies a multi-employer plan and state plans as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.12 Employee benefits (continued)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.13 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

The municipality does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingencies are disclosed in note 39.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff of changes is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.14 Revenue from exchange transactions (continued)

#### Interest

Revenue arising from the use by others of entity assets yielding interest and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

When, as a result of a non exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Rates (Including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.15 Revenue from non-exchange transactions (continued)

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.18 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the assets recognised.

### 1.22 Segmental Information

Segmental information on Property, Plant and Equipment as well as income and expenditure is set out in Appendix C and D based on the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

### 1.23 Budget Information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

### 1.24 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.25 VAT

The municipality accounts for VAT on the payment basis. Output VAT is only payable as and when the purchase consideration is received and input tax can only be claimed as and when payments are made.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations

#### 2.1 Standards and interpretations Issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

##### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

---

### 2. New standards and Interpretations (continued)

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

## **Notes to the Annual Financial Statements**

---

### **2. New standards and interpretations (continued)**

#### **GRAP108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>3. Inventories</b>		
Consumable stores	9 168 697	11 330 772
Stands	7 175 000	11 961 618
	<u>16 343 697</u>	<u>23 292 390</u>

The carrying value of consumable stores is disclosed at cost while the carrying value of stands is disclosed at net realisable value.

### Inventory pledged as security

No inventory was pledged as security.

### 4. Other financial assets

<b>At amortised cost</b>		
Fixed deposits - unlisted	6 646 402	4 953 416
Stand sale arrangements	1 358 768	539 730
	<u>8 005 170</u>	<u>5 493 146</u>
<b>Non-current assets</b>		
At amortised cost	<u>6 646 402</u>	<u>4 953 416</u>
<b>Current assets</b>		
At amortised cost	<u>1 358 768</u>	<u>539 730</u>
<b>Council's valuation of unlisted Investments</b>		
Liberty	<u>6 646 402</u>	<u>4 953 416</u>
<b>Reconciliation of stand sale arrangements</b>		
Stand sale arrangements	1 358 768	539 730
Debtor arrangements	885 134	830 524
	<u>2 243 902</u>	<u>1 370 254</u>
Provision for impairment	(885 134)	(830 524)
	<u>1 358 768</u>	<u>539 730</u>
Less: Current portion	(1 358 768)	(539 730)
<b>Non-current portion of stand sale arrangements</b>	<u>-</u>	<u>-</u>

Fair value of investments are at quoted book value as at 30 June 2014.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above.

None of the financial assets were pledged as security for financial liabilities.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>4. Other financial assets (continued)</b>		
<b>Financial assets at amortised cost Impaired</b>		
As of 30 June 2014, debtor arrangements of R 885 134 (2013: R 830 524) were impaired and provided for.		
<b>Reconciliation of provision for impairment of financial assets at amortised cost</b>		
<b>Debtor arrangements</b>		
Opening balance	830 524	749 369
Provision for impairment	54 610	81 155
	<u>885 134</u>	<u>830 524</u>
<b>Loans to staff and the public</b>		
To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.		
<b>Stand sale arrangements</b>		
Arrangements were made to enable people to purchase stands from the Council. These arrangements are repayable within 60 days at a fixed interest rate of 18%.		
<b>Debtor arrangements</b>		
Short-term debt repayment arrangements are engaged in to enable debtors to pay outstanding consumer accounts.		
<b>5. Operating lease asset (accrual)</b>		
<b>Current assets</b>	<u>130 749</u>	<u>159 323</u>
	<u>130 749</u>	<u>159 323</u>
<b>Municipality as lessor: Future minimum lease payments receivable</b>		
Less than one year	63 534	123 030
Between one and five years	242 815	256 940
More than five years	253 518	302 927
	<u>559 867</u>	<u>682 897</u>
<b>8. Receivables from exchange transactions</b>		
Year end debtors	179 180 196	185 703 876
Prepayments	4 987 372	5 534 243
Petrol deposit	9 808	9 808
Land deposit	5 877 193	-
Other receivables	18 128 169	11 126 550
Provision for impairment of other receivables	(13 880 674)	(10 219 825)
	<u>194 302 084</u>	<u>192 154 652</u>
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	10 219 825	7 958 771
Provision for impairment	3 663 568	2 261 054
Amounts written off as uncollectible	(2 719)	-
	<u>13 880 674</u>	<u>10 219 825</u>
<b>7. Receivables from non-exchange transactions</b>		
Fines	<u>423 657</u>	<u>-</u>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>8. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	85 798 682	68 547 344
Electricity	119 155 507	107 015 779
Refuse	39 814 848	32 719 561
	<u>244 769 037</u>	<u>208 282 684</u>
<b>Less: Allowance for impairment</b>		
Rates	(70 427 888)	(58 062 679)
Electricity	(43 709 492)	(45 378 284)
Refuse	(32 539 286)	(28 500 864)
	<u>(146 678 666)</u>	<u>(131 941 827)</u>
<b>Net balance</b>		
Rates	15 370 794	10 484 665
Electricity	75 446 015	61 637 495
Refuse	7 275 562	4 218 697
	<u>98 092 371</u>	<u>78 340 857</u>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	75 446 015	61 837 495
Refuse	7 275 562	4 218 697
	<u>82 721 577</u>	<u>66 056 192</u>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	15 370 794	10 484 865
<b>Net balance</b>	<u>98 092 371</u>	<u>76 340 857</u>
<b>Rates: Ageing</b>		
Current (0 -30 days)	5 680 336	5 274 600
31 - 60 days	3 086 821	2 750 948
61 - 90 days	2 474 588	2 242 693
91 - 120 days	2 340 884	1 923 233
121 days and older	72 216 055	56 355 872
	<u>85 798 682</u>	<u>68 547 344</u>
<b>Electricity: Ageing</b>		
Current (0 -30 days)	60 916 939	46 306 070
31 - 60 days	8 089 171	9 774 063
61 - 90 days	4 031 428	3 049 041
91 - 120 days	3 840 650	6 217 475
121 days and older	42 277 319	41 669 130
	<u>119 155 507</u>	<u>107 015 779</u>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>8. Consumer debtors (continued)</b>		
<b>Refuse: Ageing</b>		
Current (0 -30 days)	2 524 404	2 265 619
31 - 60 days	1 414 019	1 068 574
61 - 90 days	1 129 586	843 840
91 - 120 days	1 079 548	785 140
121 - 365 days	33 667 291	27 756 388
	<b>39 814 848</b>	<b>32 719 561</b>
<b>Summary of debtors by customer classification including other debtors</b>		
<b>Residential property: Ageing</b>		
Current (0 -30 days)	29 089 421	21 110 841
31 - 60 days	8 131 266	5 764 894
61 - 90 days	3 514 549	2 494 228
91 - 120 days	1 877 061	2 827 913
121 days and older	86 956 315	69 036 621
	<b>129 568 612</b>	<b>101 234 497</b>
<b>Industrial / Commercial: Ageing</b>		
Current (0 -30 days)	28 395 859	24 241 500
31 - 60 days	6 167 683	6 757 687
61 - 90 days	2 934 425	2 648 358
91 - 120 days	3 485 971	5 202 479
121 days and older	56 377 939	50 195 980
	<b>97 361 877</b>	<b>89 044 004</b>
<b>National and provincial government: Ageing</b>		
Current (0 -30 days)	7 107 009	5 324 942
31 - 60 days	91 961	261 838
61 - 90 days	566 010	221 724
91 - 120 days	530 196	211 741
121 days and older	7 629 317	6 481 850
	<b>15 924 493</b>	<b>12 502 095</b>
<b>Other: Ageing</b>		
Current (0 -30 days)	5 906 133	4 297 772
31 - 60 days	1 093 221	1 102 393
61 - 90 days	1 992 570	869 131
91 - 120 days	2 125 962	612 308
121 days and older	11 264 530	11 117 288
	<b>22 382 416</b>	<b>17 998 892</b>

### Consumer debtors pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates.

### Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 8. Consumer debtors (continued)

#### Consumer debtors

No security is held for any of the accounts receivable.

#### Consumer debtors impaired

As of 30 June 2014, consumer debtors of R146 676 666 (2013: R131 941 827) were impaired and provided for.

Indigent debtors to the amount of R3 292 112 have been written off as uncollectable in the current year. No debtors were written off as uncollectable against the debt impairment allowance account for the 2012/2013 year.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements.

#### Reconciliation of allowance for impairment of consumer debtors

Opening balance	131 941 827	83 603 974
Allowance for impairment	18 026 951	48 337 853
Amounts written off as uncollectible	(3 292 112)	-
	<u>146 676 666</u>	<u>131 941 827</u>

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	<u>23 822 041</u>	<u>10 876 224</u>
---------------	-------------------	-------------------

No cash and cash equivalents, or portion thereof, was pledged as security for any financial liabilities.

No restrictions exist regarding the use of cash.

No portion of cash and cash equivalents is past due or impaired.

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - 128 085 0527	-	-	-	23 822 041	10 876 224	50 277 604
ABSA Bank - 404 896 42222	23 820 599	10 091 268	51 117 022	-	-	-
ABSA Bank - 908 197 4990	1 442	784 956	795 556	-	-	-
<b>Total</b>	<b>23 822 041</b>	<b>10 876 224</b>	<b>51 912 578</b>	<b>23 822 041</b>	<b>10 876 224</b>	<b>50 277 604</b>

### 10. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	185 758 000	-	185 758 000	175 463 000	-	175 463 000

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

### 10. Investment property (continued)

#### Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Total
Investment property	175 463 000	19 805 000	(9 510 000)	185 758 000

#### Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	188 943 792	10 404 000	(12 236 000)	(226 000)	(11 422 792)	175 463 000

#### Pledged as security

No investment properties were pledged as security for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

The Greater Tzaneen Municipality valuation is based on the valuation roll and is reviewed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

### 11. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	133 990 749	-	133 990 749	134 660 749	-	134 660 749
Infrastructure	1 923 683 390	(641 267 795)	1 282 415 595	1 670 600 056	(536 025 893)	1 134 574 163
Community	80 544 810	(17 975 354)	62 569 456	80 544 810	(15 366 581)	65 178 229
Work in progress	185 074 893	-	185 074 893	172 832 644	-	172 832 644
Other assets	63 628 243	(31 653 791)	31 974 452	65 991 746	(25 941 720)	40 050 026
Leased assets	12 623 845	(10 003 179)	2 620 666	15 077 547	(9 288 766)	5 788 781
<b>Total</b>	<b>2 399 545 930</b>	<b>(700 900 119)</b>	<b>1 698 645 811</b>	<b>2 139 707 552</b>	<b>(586 622 960)</b>	<b>1 553 084 592</b>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	134 660 749	-	(670 000)	-	-	-	133 990 749
Infrastructure	1 134 574 163	251 445 423	-	-	(95 199 843)	(8 404 148)	1 282 415 595
Community	65 178 229	-	-	-	(2 608 773)	-	62 569 456
Work in progress	172 832 644	108 387 672	-	(96 145 423)	-	-	185 074 893
Other assets	40 050 026	923 956	(452 851)	-	(8 546 679)	-	31 974 452
Leased assets	5 788 781	-	(185 648)	-	(2 982 467)	-	2 620 666
	<b>1 553 084 592</b>	<b>360 757 051</b>	<b>(1 308 499)</b>	<b>(96 145 423)</b>	<b>(109 337 762)</b>	<b>(8 404 148)</b>	<b>1 698 645 811</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Depreciation	Total
Land	142 228 601	-	(3 426 234)	(4 141 618)	-	-	134 660 749
Infrastructure	1 218 474 443	4 706 504	-	-	-	(88 606 784)	1 134 574 163
Community	68 181 141	547 637	(933 000)	-	-	(2 617 549)	65 178 229
Work in progress	83 742 422	92 952 972	-	-	(3 862 750)	-	172 832 644
Other assets	42 782 760	5 749 037	(96 759)	-	-	(8 385 012)	40 050 026
Leased assets	7 010 779	2 571 867	(406 491)	-	-	(3 387 374)	5 788 781
	<b>1 562 420 146</b>	<b>106 528 017</b>	<b>(4 862 484)</b>	<b>(4 141 618)</b>	<b>(3 862 750)</b>	<b>(102 996 719)</b>	<b>1 553 084 592</b>

#### Pledged as security

None of the property, plant and equipment has been pledged as security for any liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 12. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	345 656	(189 422)	156 234	234 777	(103 207)	131 570

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	131 570	110 879	(86 215)	156 234

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	49 645	135 310	(53 385)	131 570

#### Pledged as security

No intangible assets have been pledged as security for any liabilities.

### 13. Other financial liabilities

<b>At amortised cost</b>		
Annuity loan - DBSA	37 885 539	39 126 339
Annuity loan - ABSA	27 269 848	30 028 990
Annuity loan - INCA	13 964 894	16 163 106
Annuity loan - Standard Bank	25 525 695	30 151 553
DBSA local registered stock loan	15 000 000	15 000 000
	<b>119 645 978</b>	<b>130 469 988</b>
<b>Total other financial liabilities</b>	<b>119 845 978</b>	<b>130 469 988</b>
<b>Non-current liabilities</b>		
At amortised cost	107 631 294	119 654 076
<b>Current liabilities</b>		
At amortised cost	12 014 682	10 815 912



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

---

### 13. Other financial liabilities (continued)

#### Terms and conditions

Refer to Appendix A for detail on long-term liabilities.

#### Annuity loan - Standard Bank

This loan has been split into two allocations of R21 011 000 and R13 281 000 and was taken up on 30 June 2012. These loans bear interest at rates of 11,8% and 10,96% respectively and will be fully redeemed on 30 June 2019 and 30 June 2017 respectively.

#### Annuity loan - ABSA

This loan has been split into two allocations of R25 140 000 and R9 640 000 and was taken up on 15 August 2010. These loans bear interest at rates of 10,62% and 6,75% respectively and will be fully redeemed on 31 July 2025 and 31 July 2015 respectively.

#### Annuity loan - DBSA

A loan of R41 000 000 of which R 35 010 350 has been allocated during the 2010 / 2011 financial year was taken up to finance capital projects. This loan bears interest at a rate of 6,75% per annum and will be fully redeemed on 31 October 2030.

#### Annuity loan - INCA

The loan has been taken up to finance the purchase of land. It bears interest at a rate of 12,5% per annum and will be fully redeemed on 31 December 2018.

#### Loan stock: DBSA (Excelsior 1 000 investment)

An investment of R855 619 has been made with Liberty to repay a loan of R15 000 000 on maturity date. The loan bears interest at a variable rate and will be redeemed on 30 September 2019.

#### Undrawn borrowings

There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2014.

None of the loans are secured by any fixed or movable assets of the Greater Tzaneen Municipality.

The municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the financial liabilities were re-negotiated.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>14. Finance lease obligation</b>		
Minimum lease payments due		
- within one year	2 317 500	3 547 279
- in second to fifth year inclusive	571 242	2 888 741
	<u>2 888 742</u>	<u>6 436 020</u>
less: future finance charges	(200 257)	(668 716)
<b>Present value of minimum lease payments</b>	<u><b>2 888 485</b></u>	<u><b>5 767 304</b></u>
 Present value of minimum lease payments due		
- within one year	2 138 569	3 078 821
- in second to fifth year inclusive	549 916	2 688 483
	<u><b>2 888 485</b></u>	<u><b>5 767 304</b></u>
 Non-current liabilities	549 916	2 688 483
Current liabilities	2 138 569	3 078 821
	<u><b>2 688 485</b></u>	<u><b>5 787 304</b></u>

The average lease term was 3-5 years. Interest rates are fixed at the contract date. Certain leases have fixed repayments and other escalate. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated during the reporting period.

### 15. Payables from exchange transactions

Trade payables	85 653 868	82 213 634
Payments received in advanced	4 987 372	5 534 243
Staff leave	26 057 784	6 875 781
Retention	12 789 986	12 284 854
Unknown direct deposits	9 461 596	11 351 951
Other payables	1 421 989	1 115 677
13th Cheque	6 273 212	4 820 970
	<u><b>148 845 807</b></u>	<u><b>123 997 110</b></u>

The Municipality did not default on any accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

### 16. VAT payable

Net VAT payable	<u>28 226 090</u>	<u>24 204 145</u>
-----------------	-------------------	-------------------

VAT is payable on the payments basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made.

### 17. Consumer deposits

Electricity	<u>18 436 179</u>	<u>16 229 380</u>
Guarantees held in lieu of electricity deposits	<u>3 628 130</u>	<u>3 725 130</u>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 18. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Grants - other	44 079 480	32 182 276
----------------	------------	------------

#### Movement during the year

Balance at the beginning of the year	31 536 518	39 919 997
Additions during the year	117 746 698	81 965 000
Income recognition during the year	(91 398 908)	(77 607 045)
Administration fee recognition during the year	(13 680 194)	(12 095 676)
Overspending adjustment	4 690 397	-
Rollover adjustment	(4 815 031)	-
	<u>44 079 480</u>	<u>32 182 276</u>

Refer to note 24 for reconciliation of unspent conditional grants.

These amounts are invested in a ring-fenced investment until utilised.

### 19. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill site	2 872 705	287 270	-	3 159 975
Provision for performance bonuses	273 487	2 614 676	(273 487)	2 614 676
	<u>3 148 192</u>	<u>2 901 946</u>	<u>(273 487)</u>	<u>5 774 651</u>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill site	2 611 550	261 155	-	2 872 705
Provision for performance bonuses	2 139 391	273 487	(2 139 391)	273 487
	<u>4 750 941</u>	<u>534 642</u>	<u>(2 139 391)</u>	<u>3 148 192</u>

Non-current liabilities	3 159 975	2 872 705
Current liabilities	2 614 676	273 487
	<u>5 774 651</u>	<u>3 148 192</u>

#### Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

#### Provision for performance bonuses

Performance bonuses accrue to Section 57 managers and managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonuses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>20. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
The total amount recognised in the statement of financial position is as follows:		
Carrying value		
Defined benefit obligation - Long service awards	8 187 516	7 721 047
Defined benefit obligation - Post-employment health care benefit	55 596 329	47 819 496
	<u>63 783 845</u>	<u>55 540 543</u>
<b>Long service awards</b>		
Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 655 (2013: 642) employees that are entitled to long service leave awards on 30 June 2014. The long service leave awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.		
The amount recognised in the statement of financial position is as follows:		
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	<u>8 187 516</u>	<u>7 721 047</u>
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	7 721 047	5 588 929
Benefits paid	(960 653)	(466 330)
Net expense recognised in the statement of financial performance	<u>1 427 122</u>	<u>2 598 448</u>
	<u>8 187 516</u>	<u>7 721 047</u>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1 146 564	772 310
Interest cost	522 633	348 610
Actuarial (gains) losses	(242 075)	1 477 528
	<u>1 427 122</u>	<u>2 598 448</u>
<b>Calculation of actuarial gains and losses</b>		
Actuarial gains – Obligation	(242 075)	-
Actuarial losses – Obligation	-	1 477 528
	<u>(242 075)</u>	<u>1 477 528</u>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	7.93 %	7.21 %
General salary inflation	7.10 %	6.76 %
Net discount rate	0.77 %	0.42 %
Average retirement age	61	61

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 20. Employee benefit obligations (continued)

Other assumptions

Amounts for the current and previous four years are as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	7 721 047	8 187 516	5 588 929	4 720 463	4 299 221
Surplus (deficit)	(7 721 047)	(8 187 516)	(5 588 929)	(4 720 463)	(4 299 221)

#### Post-employment health care benefit

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2014.

The amount recognised in the statement of financial position is as follows:

Carrying value		
Present value of the defined benefit obligation - wholly unfunded	55 596 329	47 819 496

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	47 819 496	44 563 828
Benefits paid	(1 328 538)	(1 176 673)
Net expense recognised in the statement of financial performance	9 105 371	4 432 341
	<u>55 596 329</u>	<u>47 819 496</u>

Net expense recognised in the statement of financial performance

Current service cost	2 630 424	2 462 888
Interest cost	4 205 626	3 530 660
Actuarial (gains) losses	2 269 321	(1 561 207)
	<u>9 105 371</u>	<u>4 432 341</u>

#### Calculation of actuarial gains and losses

Actuarial gains – Obligation	-	(1 561 207)
Actuarial losses – Obligation	2 269 321	-
	<u>2 269 321</u>	<u>(1 561 207)</u>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.08 %	8.92 %
Health care cost inflation rate	8.25 %	7.75 %
Net discount rate	0.77 %	1.08 %
Average retirement age	61	61

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 20. Employee benefit obligations (continued)

#### Other assumptions

Amounts for the current and previous four years are as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	55 596 329	47 819 496	44 563 828	38 134 690	26 565 919
Surplus (deficit)	(55 596 329)	(47 819 496)	(44 563 828)	(38 134 690)	(26 565 919)

#### Defined contribution plan

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is 24 460 649 21 671 481

Included in defined contribution plans, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as a defined benefit plans, the municipality accounted for these plans as a defined contribution plans:

#### Joint Municipal Pension Fund

The last valuation of the Joint Municipal Pension Fund was done on 30 September 2012.

Funding level (Including solvency): 100%

The results of the valuation (with provision for some future pension increases) are as follows:

	2012 R'000	2011 R'000
Actuarial valuation	2 204 229	1 959 558
Actuarial value of assets	(1 913 507)	(1 796 781)
Total accrued liabilities	(290 722)	(162 797)
Solvency reserve	-	-
Surplus / (Deficit)	-	-

#### Municipal employees pension fund

The last valuation of the Municipal Employees Pension Fund was done on 28 February 2011. This represents a funding level of 107.9%.

	28 Feb 2011 R'000	29 Feb 2008 R'000
Actuarial valuation	7 544 210	5 715 557
Value of plan assets	(6 991 439)	(4 900 547)
Liabilities	(739 816)	(382 289)
Contingency reserve	(187 045)	432 721
Surplus / (Deficit)	(187 045)	432 721

#### Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2013. The fund is financial sound for the requirements of the Pension Fund Act.

	2013 R'000	2012 R'000
Actuarial valuation	14 320 039	12 537 061
Value of plan assets	245 238	273 806
Reserve account	14 585 277	12 810 887
Value of fund on 30 June 2013	14 585 277	12 810 887

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 20. Employee benefit obligations (continued)

#### Imatu Retirement Fund

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

### 21. Service charges

Sale of electricity	336 994 582	350 434 264
Sale of prepaid electricity	947 810	435 934
Indigent charges	201 042	144 242
Refuse removal	23 745 602	23 144 284
Other service charges	1 467 393	930 568
	<u>383 358 429</u>	<u>375 089 292</u>

Greater Tzaneen Municipality acts as service provider for the Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

### 22. Other income

Library services	5 390	6 688
Insurance claims	5 100 535	2 524 552
Valuation certificates	65 582	39 820
Environmental health services	32 297	31 359
Non-refundable deposit	1 148 976	117 506
Sundry Income	4 305 560	6 323 228
	<u>10 658 340</u>	<u>9 043 153</u>

### 23. Property rates

#### Rates received

Residential	30 001 434	24 480 693
Commercial	21 610 537	20 336 657
State	4 440 272	5 643 955
Other	10 293 075	10 598 293
	<u>66 345 318</u>	<u>61 059 598</u>
Property rates - penalties imposed	4 770 262	4 216 707
	<u>71 115 580</u>	<u>85 278 305</u>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>23. Property rates (continued)</b>		
<b>Valuations</b>		
	<b>R'000</b>	<b>R'000</b>
Residential	5 122 380	3 371 273
Commercial	1 936 097	1 912 855
State	412 605	1 000 150
Municipal	176 665	310 439
Agriculture	4 338 045	4 326 007
Other	63 218	58 551
	<b>12 049 010</b>	<b>10 979 275</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.

## 24. Government grants and subsidies

Equitable share	207 762 000	195 684 000
National MSIG	105 283	873 798
Neighbourhood Grant	16 899 306	9 392 003
Finance Management Grant	1 550 000	1 500 000
SETA	231 000	24 839
MIG	58 498 502	67 601 461
National - Electrification Grant	21 633 488	7 142 448
Department of Minerals and Energy	-	897 330
DOE Grant	484 976	-
EPWP	1 896 682	-
	<b>309 061 237</b>	<b>283 115 879</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Drought Relief Programme

Balance unspent at beginning of year	30 702	30 702
<b>Conditions still to be met - transferred to liabilities</b>	<b>30 702</b>	<b>30 702</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 24. Government grants and subsidies (continued)

#### SETA

Balance unspent at beginning of year	693 559	718 398
Conditions met - transferred to revenue	(231 000)	(24 839)
<b>Conditions still to be met - transferred to liabilities</b>	<b>482 559</b>	<b>693 559</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is used to pay for training courses. It supplement / augment the funds on the training vote. It is used to set off the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

#### MIG Grant

Balance unspent at beginning of year	7 367 440	20 570 501
Rollover adjustment	32 560	-
Current-year receipts	73 247 000	58 665 000
Conditions met - transferred to revenue	(51 314 478)	(59 299 527)
Administration fees	(7 184 027)	(8 301 934)
Agent commission	(2 929 880)	(2 266 600)
<b>Conditions still to be met - transferred to liabilities</b>	<b>19 218 617</b>	<b>7 367 440</b>

Conditions still to be met - remain liabilities (see note 18).

MIG funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

#### Department of Minerals and Energy

Balance unspent at beginning of year	33 188	930 516
Conditions met - transferred to revenue	-	(897 330)
<b>Conditions still to be met - transferred to liabilities</b>	<b>33 188</b>	<b>33 186</b>

Conditions still to be met - remain liabilities (see note 18).

The main aim of this grant was to supply the farmers (workers) with electricity and the funds were used for the electrification of the farmer houses (workers houses) within the Greater Tzaneen Municipality. This was according to the DME (Department of Minerals and Energy) standards.

#### National Electrification Grant

Balance unspent at beginning of year	8 182 618	2 975 066
Rollover adjustment	(82 618)	-
Current-year receipts	10 000 000	13 000 000
Conditions met - transferred to revenue	(18 976 744)	(6 265 305)
Administration fees	(2 656 744)	(877 143)
Agent commission	(500 000)	(650 000)
Overspending adjustment	4 033 488	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>8 182 818</b>

Conditions still to be met - remain liabilities (see note 18).

The grant was used for electrification of farm labour housing and schools.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

### 24. Government grants and subsidies (continued)

#### Community Based Projects

Balance unspent at beginning of year	356 878	356 878
Conditions still to be met - transferred to liabilities	358 878	356 878

Conditions still to be met - remain liabilities (see note 18).

The funds were used for the training of lead facilitators, ward-based facilitators and community based projects roll out to the wards. This process took place from December 2003 to date.

#### Neighbourhood Grant

Balance unspent at beginning of year	14 940 502	14 332 505
Rollover adjustment	(4 940 502)	-
Current-year receipts	23 350 000	10 000 000
Conditions met - transferred to revenue	(16 899 306)	(9 392 003)
Conditions still to be met - transferred to liabilities	16 450 894	14 940 502

Conditions still to be met - remain liabilities (see note 18).

These funds were used to embellish the entrances of various towns and villages.

#### Cleanest Town

Balance unspent at beginning of year	450 766	450 766
Conditions still to be met - transferred to liabilities	450 766	450 766

Conditions still to be met - remain liabilities (see note 18).

Funds received through the greenest town competition were used to provide schools in villages with refuse removal skips.

#### MSIG Establishment Grant

Balance unspent at beginning of year	26 002	99 800
Rollover adjustment	(2)	-
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(105 283)	(873 798)
Conditions still to be met - transferred to liabilities	810 717	28 002

Conditions still to be met - remain liabilities (see note 18).

The grant is used to upgrade the financial systems of the Municipality and to provide training to officials.

#### Upgrade of sport facilities

Balance unspent at beginning of year	100 623	100 623
Conditions still to be met - transferred to liabilities	100 623	100 623

Conditions still to be met - remain liabilities (see note 18).

This grant was used to upgrade sport facilities in towns and villages.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 24. Government grants and subsidies (continued)

#### Finance Management Grant

Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
Conditions still to be met - transferred to liabilities	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is used to support financial management.

#### DOE Grant

Current-year receipts	6 999 700	-
Conditions met - transferred to revenue	(425 417)	-
Administration fees	(59 558)	-
Agent commission	(349 985)	-
Conditions still to be met - transferred to liabilities	6 164 740	-

Conditions still to be met - remain liabilities (see note 18).

Energy efficiency and demand side management. Retrofitting of old street lights.

#### EPWP Grant

Rollover adjustment	175 531	-
Current-year receipts	1 710 000	-
Conditions met - transferred to revenue	(1 896 682)	-
Overspending adjustment	11 151	-
Conditions still to be met - transferred to liabilities	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is used for rural waste removal.

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

All grant funding destined for the Municipality in terms of the annual Division of Revenue Act, with the exception of R4 940 502, due to poor performance on the NDPG allocation, has been received.

### 25. Donations received

Greater Tzaneen Municipality received a donation of roads as per Gazette number 2372 of 13 June 2014. Due to absence of the cost information on the donated roads, these roads were accounted for at deemed cost / fair value of R155 300 000 in line with the Municipality's Asset Management policy and GRAP.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>26. Revenue</b>		
Service charges	363 356 429	375 089 292
Rental of facilities and equipment	872 882	1 292 420
Interest received (trading)	17 343 422	8 731 739
Income from agency services	14 886 079	14 598 636
Licences and permits	540 614	483 245
Other income - (rollup)	10 658 340	9 043 153
Interest received - investment	2 164 145	3 901 063
Property rates	66 345 319	61 059 598
Property rates - penalties imposed	4 770 262	4 216 707
Government grants & subsidies	309 061 237	283 115 879
Public contributions and donations	155 300 000	-
Fines	3 665 353	(1 528 798)
	<b>948 984 082</b>	<b>760 002 934</b>
 The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	363 356 429	375 089 292
Rental of facilities and equipment	872 882	1 292 420
Interest received (trading)	17 343 422	8 731 739
Income from agency services	14 886 079	14 598 636
Licences and permits	540 614	483 245
Other income - (rollup)	10 658 340	9 043 153
Interest received - Investment	2 164 145	3 901 083
	<b>409 821 911</b>	<b>413 139 548</b>
 The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
Property rates	66 345 319	61 059 598
Property rates - penalties imposed	4 770 262	4 216 707
<b>Transfer revenue</b>		
Government grants & subsidies	309 061 237	283 115 879
Public contributions and donations	155 300 000	-
Fines	3 665 353	(1 528 798)
	<b>539 142 171</b>	<b>348 863 388</b>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>27. Employee related costs</b>		
Salaries and wages	170 292 248	136 871 005
Performance bonus	2 772 928	273 482
Social contributions	42 974 145	34 928 545
Travel allowances	9 014 828	7 387 591
Overtime payments	21 274 503	20 143 040
Housing allowances	1 302 467	1 753 235
Less: Employee costs included in other expenses	(74 483 602)	(70 536 819)
	<u>173 147 517</u>	<u>130 820 079</u>

The increase in employee related costs from the previous year is as a result of salary increases and filling of vacant positions.

No advances were made to employees during the year.

### Remuneration of municipal manager

Annual Remuneration	1 073 731	501 083
Car Allowance	180 000	90 000
Contributions to UIF, Medical and Pension Funds	62 644	31 322
	<u>1 316 375</u>	<u>622 405</u>

The municipal manager was appointed on 1 December 2012, but was suspended during the current reporting period. An acting Municipal Manager was appointed on 7 April 2014.

### Remuneration of chief finance officer

Annual Remuneration	844 843	607 542
Car Allowance	285 280	110 000
Contributions to UIF, Medical and Pension Funds	151 390	125 791
Leave pay out	36 475	-
	<u>1 317 988</u>	<u>843 333</u>

The chief finance officer was appointed on 1 August 2012.

### Director Community Services

Annual Remuneration	688 541	332 439
Car Allowance	164 104	95 728
Performance Bonuses	117 949	-
Contributions to UIF, Medical and Pension Funds	134 237	78 305
Leave pay out	32 889	-
	<u>1 137 720</u>	<u>508 472</u>

### Director Civil Engineering

Annual Remuneration	815 117	607 299
Car Allowance	168 000	154 000
Contributions to UIF, Medical and Pension Funds	89 491	82 034
	<u>1 072 608</u>	<u>843 333</u>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 27. Employee related costs (continued)

#### Director Planning and Economic Development

Annual Remuneration	-	706 667
Car Allowance	-	60 000
	<u>-</u>	<u>766 667</u>

The position of Director Planning and Economic Development was vacant during the current financial year.

#### Director Corporate Services

Annual Remuneration	699 186	-
Car Allowance	209 000	-
Contributions to UIF, Medical and Pension Funds	23 294	-
	<u>931 480</u>	<u>-</u>

The position of Director Corporate Services was vacant during the prior financial year.

#### Director Electrical Engineering

Annual Remuneration	875 523	721 249
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	144 774	116 671
	<u>1 080 297</u>	<u>897 920</u>

### 28. Remuneration of councillors

Mayor	729 146	694 350
Executive committee allowances	1 565 429	1 454 391
Speaker and full time councillors' allowances	3 902 538	3 689 523
Other councillors' allowances	12 834 087	11 633 622
	<u>19 031 200</u>	<u>17 471 886</u>

#### In-kind benefits

The Mayor, Speaker and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time secretary, one personal assistant and a special projects assistant, who is responsible for EPWP, gender, youth and disability programmes.

The allowances and benefits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

### 28. Remuneration of councillors (continued)

#### Remuneration per councillor

2014	Salary	Travel allowance	Telephone allowance	Study allowance	Total
SJ Nkuna	212 938	72 579	20 868	1 702	308 087
MC Nkhwashu	216 338	72 579	20 868	1 911	311 696
RM Mokgomole	215 538	72 579	20 868	1 910	310 895
PJ Sekgotodi	217 738	72 579	20 868	1 907	313 092
RE Pohl	217 738	72 579	20 868	2 068	313 253
SM Maunatlala	395 888	131 963	20 868	2 736	551 455
RR Selomo	395 888	131 963	20 868	3 361	552 080
C Machimana	410 030	131 963	20 868	2 935	565 796
JHS Mbhalati	395 888	131 963	20 868	3 318	552 037
MR Shingange	394 188	131 963	20 868	2 936	549 955
DJ Mmetle	527 851	175 950	20 868	4 477	729 146
MM Mmola	158 355	52 785	20 868	-	232 008
MJ Mokgoloboto	158 355	52 785	20 868	-	232 008
TS Mushwana	158 355	52 785	20 868	-	232 008
MJ Mothiba	158 355	52 785	20 868	1 416	233 424
C Baloyi	158 355	52 785	20 868	1 416	233 424
AE Jansen van Vuuren	158 355	52 785	20 868	1 418	233 424
S Mahori	158 355	52 785	20 868	1 416	233 424
MG Mangena	158 355	52 785	20 868	1 418	233 424
SP Masetla	158 355	52 785	20 868	1 416	233 424
TL Mhlongo	158 355	52 785	20 868	1 399	233 407
ML Ncha	158 355	52 785	20 868	1 416	233 424
DL Ndove	158 355	52 785	20 868	1 416	233 424
TK Nukeri	158 355	52 785	20 868	1 418	233 424
MS Raganya	158 355	52 785	20 868	1 418	233 424
ME Ramolefo	158 355	52 785	20 868	1 418	233 424
M Sibiya	158 355	52 785	20 868	1 416	233 424
MD Mabape	158 355	52 785	20 868	1 416	233 424
DG Mushwana	158 355	52 785	20 868	1 417	233 425
NL Mohale	158 355	52 785	20 868	1 416	233 424
MM Makwala	158 355	52 785	20 868	1 416	233 424
TL Matita	158 355	52 785	20 868	1 416	233 424
ML Mokgobi	158 355	52 785	20 868	1 164	233 172
GQ Mabuza	158 355	52 785	20 868	1 416	233 424
LM Valentine	158 355	52 785	20 868	1 416	233 424
MF Mbhalati	158 355	52 785	20 868	1 245	233 253
MR Makhudu	158 355	52 785	20 868	1 416	233 424
MM Mohale	158 355	52 785	20 868	1 416	233 424
NM Mahasha	158 355	52 785	20 868	1 417	233 425
ML Hlangwane	158 355	52 785	20 868	1 416	233 424
GE Ntimbane	158 355	52 785	20 868	1 416	233 424
BM Mashava	158 355	52 785	20 868	1 416	233 424
NR Rikhotso	158 355	52 785	20 868	1 416	233 424
DQ Mhlarihi	158 355	52 785	20 868	1 416	233 424
RP Nghonyama	158 355	52 785	20 868	1 416	233 424
NH Zandamela	158 355	52 785	20 868	1 416	233 424
OK Banyini	158 355	52 785	20 868	1 416	233 424
MS Mboweni	158 355	52 785	20 868	1 416	233 424
SC Makwala	158 355	52 785	20 868	1 348	233 356
ND Ndhlovu	158 355	52 785	20 868	1 416	233 424
GG Nghondzweni	158 355	52 785	20 868	1 416	233 424
NA Masila	158 355	52 785	20 868	1 416	233 424
ML Pudlakbekwa	158 355	52 785	20 868	1 416	233 424
PJ Ramodipa	158 355	52 785	20 868	1 416	233 424
MM Oalo	158 355	52 785	20 868	1 416	233 424
MA Makwela	158 355	52 785	20 868	1 416	233 424
MC Mamogale	158 355	52 785	20 868	1 392	233 400

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

### 28. Remuneration of councillors (continued)

M Sabela	158 355	52 785	20 868	1 416	233 424
MR Mc Neil	158 355	52 785	20 868	1 533	233 541
MH Magoro	158 355	52 785	20 868	1 416	233 424
DT Maake	158 355	52 785	20 868	1 416	233 424
TS Manyama	158 355	52 785	20 868	1 534	233 542
MA Malebati	158 355	52 785	20 868	1 361	233 369
N Nkhwashu	158 355	52 785	20 868	1 533	233 541
MB Mashele	158 355	52 785	20 868	1 502	233 510
MD Hlangwini	158 355	52 785	20 868	1 585	233 593
PP Machethe	422 280	140 760	20 868	3 604	587 512
MN Mboweni	395 888	131 963	20 868	3 383	552 102
	<b>13 127 716</b>	<b>4 374 558</b>	<b>1 419 024</b>	<b>109 902</b>	<b>19 031 200</b>

2013	Salary	Travel allowance	Telephone allowance	Study allowance	Total
SJ Nkuna	209 115	68 105	12 126	1 693	291 039
MC Nkhwashu	209 115	69 305	12 126	1 761	292 307
RM Mokgomole	209 115	69 105	12 126	1 772	292 118
PJ Sekgotodi	209 115	69 705	12 126	1 781	292 727
RE Pohl	209 115	63 038	12 126	1 920	286 199
SM Maunatlala	377 038	123 679	19 872	2 820	523 407
RR Selomo	377 036	123 679	19 872	3 181	523 768
C Machimana	364 544	123 679	19 872	2 622	510 717
JHS Mbhalati	377 036	124 512	19 872	3 110	524 530
MR Shingange	377 036	123 929	19 872	2 977	523 814
DJ Mmetle	502 715	167 572	19 872	4 192	694 351
MM Mmola	150 814	50 271	12 396	-	213 481
MJ Mokgoloboto	150 814	50 271	12 396	-	213 481
TS Mushwana	150 814	50 271	12 396	-	213 481
MJ Mothiba	150 814	50 271	12 396	1 316	214 797
C Baloyi	150 814	50 271	12 396	1 300	214 781
AE Jansen van Vuuren	150 814	50 271	12 396	1 300	214 781
S Mahori	150 814	50 271	12 396	1 300	214 781
MG Mangena	150 814	50 271	12 396	1 300	214 781
SP Masetla	150 814	50 271	12 396	1 300	214 781
TL Mhlongo	122 757	42 312	10 433	1 071	176 573
ML Ncha	150 814	50 271	12 396	1 300	214 781
DL Ndove	150 814	50 271	12 396	1 300	214 781
TK Nukeri	150 814	50 271	12 396	1 300	214 781
MS Raganya	150 814	50 271	12 396	1 300	214 781
ME Ramolefo	150 814	50 271	12 396	1 300	214 781
M Sibiya	150 814	50 271	12 396	1 300	214 781
MD Mabape	150 814	50 271	12 396	1 300	214 781
PJ Shiluvane	23 825	7 942	1 958	200	33 925
DG Mushwana	150 814	50 271	12 396	1 300	214 781
NL Mohale	150 814	50 271	12 396	1 300	214 781
MM Makwala	150 814	50 271	12 396	1 300	214 781
NM Risaba	113 111	37 704	9 297	890	161 002
TL Matlita	150 814	50 271	12 396	1 299	214 780
GM Mushwana	25 706	8 569	2 113	208	36 596
ML Mokgobi	150 814	50 271	12 396	1 198	214 679
GQ Mabuza	150 814	50 271	12 396	1 302	214 783
LM Valentine	150 814	50 271	12 396	1 300	214 781
MF Mbhalati	150 814	50 271	12 396	1 244	214 725
MR Makhudu	150 814	50 271	12 396	1 300	214 781
MM Mohale	150 814	50 271	12 396	1 300	214 781
NM Mahasha	150 814	50 271	12 396	1 291	214 772
ML Hlangwane	150 814	50 271	12 396	1 289	214 770
GE Ntimbane	150 814	50 271	12 396	1 300	214 781
BM Mashava	150 814	50 271	12 396	1 306	214 787
NR Rikhotso	150 814	50 271	12 396	1 300	214 781



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

### 28. Remuneration of councillors (continued)

DQ Mhlarihi	150 814	50 271	12 396	1 300	214 781
RP Nghonyama	150 814	50 271	12 396	1 300	214 781
NH Zandamela	150 814	50 271	12 396	1 300	214 781
OK Banyini	150 814	50 271	12 396	1 300	214 781
MS Mboweni	150 814	50 271	12 396	1 294	214 775
SC Makwala	150 814	50 271	12 396	1 274	214 755
ND Ndhlovu	150 814	50 271	12 396	1 300	214 781
GG Nghondzweni	150 814	50 271	12 396	1 300	214 781
NA Masila	150 814	50 271	12 396	1 300	214 781
ML Pudikabekwa	150 814	50 271	12 396	1 300	214 781
PJ Ramodipa	150 814	50 271	12 396	1 300	214 781
MM Oalo	150 814	50 271	12 396	1 300	214 781
MA Makwela	150 814	50 271	12 396	1 301	214 782
MC Mamogale	150 814	50 271	12 396	1 301	214 782
L Perkins	75 407	25 136	6 198	596	107 337
M Sabela	150 814	50 271	12 396	1 300	214 781
MR Mc Neil	150 814	50 271	12 396	1 425	214 906
MH Magoro	150 814	50 271	12 396	1 300	214 781
DT Maake	150 814	50 271	12 396	1 300	214 781
TS Manyama	150 814	50 271	12 396	1 425	214 906
MA Malebatl	111 574	37 191	9 171	1 245	159 181
N Nkhwashu	75 407	25 136	6 198	929	107 670
MB Mashele	55 927	16 757	4 597	643	77 924
MD Hlangwini	27 230	8 379	2 238	338	38 185
PP Machethe	402 172	134 057	19 872	3 418	559 519
MN Mboweni	377 036	123 679	19 872	3 195	523 782
	<u>12 371 830</u>	<u>4 108 720</u>	<u>891 609</u>	<u>101 727</u>	<u>17 471 886</u>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 29. Impairment loss

In terms of GRAP 21, "Impairment of non-cash generating assets", Municipalities are required to assess the impairment of its assets to comply with the GRAP standards and asset management policy. Greater Tzaneen Municipality has assessed the impairment of its assets for the financial year ended 30 June 2014. The assessment of impairment of assets has resulted in an impairment loss of R8 404 148 as a result significant loss in carrying amount of road infrastructure due to physical damage and degradation.

### 30. Finance costs

Finance leases	468 460	783 544
Other financial liabilities	11 331 028	15 547 218
	<b>11 799 466</b>	<b>16 330 762</b>

### 31. Repairs and maintenance

	2014	2013
Machinery and equipment	114 422	179 418
Lawnmowers	100 559	3 184 840
Distribution networks	30 394 710	28 920 630
Stormwater, drainage and bridges	6 771 923	7 831 939
Tarred roads	6 458 460	5 292 923
Gravel roads	7 512 018	6 607 215
Sidewalks and pavements	5 855 038	5 025 852
Streetlights	557 209	779 378
Council-owned land	875 171	7 462 144
Council-owned buildings	10 335 772	7 583 823
Council-owned vehicles	23 991 174	17 795 064
Non-council-owned assets (Contractors)	161 445	174 819
Other	480 964	1 249 307
	<b>93 608 865</b>	<b>91 887 350</b>

### 32. Bulk purchases

Electricity	239 064 261	233 343 443
-------------	-------------	-------------

### 33. Contracted services

Valuation roll	618 628	2 744 357
Traffic services	11 286 484	8 519 412
Refuse removal	8 950 742	8 965 223
Cleaning services	11 438 550	10 693 888
Other contracted services	8 385 891	9 749 133
	<b>40 660 295</b>	<b>40 672 013</b>

Included in other contracted services are:

Information technology	R501 674 (2013: R391 649)
Meter reading	R1 770 208 (2013: R1 652 764)
Town planning	R317 326 (2013: R314 260)
Aerodrum	R0 (2013: R13 189)
EPWP	R0 (2013: R1 846 032)
Other	R843 680 (2013: R837 688)
Credit control	R4 953 003 (2013: R4 693 551)

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>34. Grants and subsidies paid</b>		
Other subsidies		
HPH	3 166 818	6 052 016
Other grants	22 805 564	10 378 594
Eskom EBSST	3 594 392	4 823 978
Mayor bursary account	221 000	331 000
SPCA	102 500	90 000
Sport Council	106 644	106 644
SETA (Training)	231 000	24 839
Department of Trade and Mineral	-	897 330
MSIG	105 283	738 488
Mayor special account	27 954	38 150
Museum	33 326	-
Solid waste: EPWP	1 896 682	-
	<b>32 291 163</b>	<b>23 481 039</b>
<b>35. General expenses</b>		
Auditor's remuneration	1 908 116	1 810 012
Rent - Computer	615 353	573 455
Consulting fees	11 921 838	7 689 870
Consumables	778 815	734 434
Gifts	-	397
Insurance	2 318 885	2 442 590
Conferences and seminars	-	3 579
Lease rentals on operating lease	648 093	825 472
Insurance claims - Own expenditure	6 507 249	5 774 672
Postage and courier	1 158 101	1 033 580
Printing and stationery	1 355 958	1 213 632
Protective clothing	567 091	480 272
Telephone and fax	1 470 053	1 608 775
Training	1 216 506	775 674
Travel - local	6 785 809	5 947 620
Insurance claims - Own expenditure	1 948 443	3 781 680
Membership fees - Salga	2 358 184	1 280 968
Rent - Telephone exchange	1 056 709	899 534
Public education and training	13 757	44 380
Small tools and equipment	236 346	246 593
Other expenses	14 604 899	8 254 385
	<b>57 470 003</b>	<b>45 419 574</b>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>36. Cash generated from operations</b>		
Surplus (deficit)	150 940 465	(37 329 709)
<b>Adjustments for:</b>		
Depreciation and amortisation	109 423 977	103 096 459
Gain on sale of assets and liabilities	8 296 956	25 193 764
Fair value adjustments	-	18 466 889
Finance costs - Finance leases	468 460	783 544
Impairment deficit	8 404 148	-
Debt impairment	21 745 127	50 680 062
Movements in operating lease assets and accruals	28 574	17 631
Movements in retirement benefit assets and liabilities	8 243 302	5 387 787
Movements in provisions	2 628 459	(1 604 749)
Donation of assets (Non-cash item)	(155 300 000)	-
Other non-cash items	-	33 520 774
Transfer of Mopani profit / loss	-	37 342 946
<b>Changes in working capital:</b>		
Inventories	6 948 693	(12 314 466)
Receivables from exchange transactions	(2 147 412)	-
Consumer debtors	(43 496 641)	(72 458 008)
Other receivables from non-exchange transactions	(423 657)	(87 567 147)
Payables from exchange transactions	22 648 697	35 064 023
VAT	4 021 945	(1 533 944)
Unspent conditional grants	11 897 204	(7 737 721)
Consumer deposits	2 206 799	(2 324 732)
	<b>156 535 096</b>	<b>86 683 403</b>
<b>37. Auditor's remuneration</b>		
Fees - Auditor-General of South Africa	1 908 116	1 810 012
<b>38. Commitments</b>		
<b>Authorised expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	78 733 302	92 138 855
• Investment property	3 348 000	1 344 000
	<b>82 081 302</b>	<b>93 482 855</b>
<b>The expenditure will be financed by:</b>		
- Internal advances	10 289 311	12 688 928
- Government grants	19 279 220	20 279 816
- MIG grants	52 512 771	60 514 111
	<b>82 081 302</b>	<b>93 482 855</b>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>39. Contingencies</b>		
A letter of demand regarding the non-payment of services for the valuation roll performed by Thlaola Dynamics (Pty) Ltd to the value of R769 069 (2013: 769 069).	769 069	769 069
A letter of demand from Makasana Construction CC regarding the termination of SLA resulting from the awarding of tenders. The amount under dispute could not yet be reliably determined.	-	-
A letter of demand from Makgetsi Construction CC regarding the termination of SLA resulting from the awarding of tenders to the value of R15 776 459 (2013: R15 776 459).	15 776 459	15 776 459
A notice of action regarding the repair of parking slots and the maintenance thereof from Gypsey Queen Properties 12. The amount under dispute could not yet be reliably determined. Gypsey Queen Properties 12 never proceeded with their intended action against the Municipality.	-	-
A notice of action to the value of R1 500 000 (2013: R1 500 000) regarding negligence to extinguish a fire which gutted Bedrock Mining Support property.	1 500 000	1 500 000
Application to the High Court with regard to the unfair dismissal of the previous CFO Mr Andre le Grange. The amount under dispute could not yet be reliably determined.	-	-
The municipality is being sued by Thabo Molepo for an amount of R1 000 000 (2013: R1 000 000) after being unlawfully arrested by the traffic officers of the municipality. The matter is still in the North Gauteng High Court.	1 000 000	1 000 000
A High Court case between Telegenix and the municipality, where the municipality sold land but the purchaser failed to honour payments. This matter has been settled out of court by payment of R3 500 000.	-	3 500 000
A disciplinary hearing regarding allegations of misconduct between Adv Phatudi and the municipality was conducted and the parties reached a settlement agreement for the amount of R3 281 436.50, in terms of which Adv. Phatudi was compensated an amount of R500 000 and left the employment of the council. An amount of R2 500 000 was paid during July 2013 and the balance of R281 436.50 during August 2013.	-	3 281 437
A disciplinary hearing regarding allegations of misconduct between Thabo Ramokgano and the municipality was resolved whereby Thabo Ramokgano was reassigned from his position as Manager Supply Chain Management to Manager Assets.	-	-
Arbitration is in progress relating to possible irregular capital expenditure amounting to R6 329 697.36. This amount represents the payment for the upgrading of road R3763 Sasekani to Nkowankowa.	6 329 697	-
The municipality has been sued by Mr Hannes Muller after being unlawfully dismissed. Mr Muller was re-instated on 23 October 2013 and the matter was settled by payment of R2 242 144.	-	2 242 144
The Municipality is being sued for an amount of R100 000 by a member of the public with an allegation of unlawful arrest. The matter is still pending at the High Court.	-	100 000

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 39. Contingencies (continued)

	2 844 718	2 676 974
--	-----------	-----------

The municipality has lodged an objection with SARS with regard to VAT that was rejected by SARS. As a result of objection, a contingent asset amounts to R18 146 507.78 (2013: R17 291 039.67) and the contingent liability amounts to R2 844 717.75 (2013: R2 676 973.71).

### 40. Related parties

Relationships	
Municipal Manager	ME Mankabidi
Chief Financial Officer	NM Lion
Director Community Services	OZ Mkhombo
Director Civil Engineering	DS Makoti
Director Corporate Services	EL Mugari
Director Electrical Engineering	P van den Heever
Councillors	Refer to note 29 for list of councillors

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

There are no share based payments.

#### Related party transactions

Refer to note 27 for detail of remuneration paid to Section 57 Managers and to note 28 for remuneration paid to Councillors.

During the 2013 financial year the following transactions occurred with persons who are a spouse, child or parent of a person in the service of the municipality:

The municipality contracted with Mr GJ van der Merwe who is the husband of Ms C van der Merwe, who works for the municipality as a clerk in the Human Resources division. The total value of the work performed by Mr GJ van der Merwe was R180 131.19.

The municipality contracted with Mr PC Dinga who is the husband of Ms MT Dinga, who works for the municipality as an Executive secretary. The total value of the work performed by Mr PC Dinga was R3 000.

### 41. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 41. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	12 014 682	107 631 294	-	-
Finance lease obligations	2 138 569	488 104	61 811	-
Payables from exchange transactions	146 645 807	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	10 815 912	-	-	-
Finance lease obligations	3 078 820	119 654 076	549 914	-
Payables from exchange transactions	123 997 110	-	-	-

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The municipality is exposed to interest rate risk on its investments and long term borrowings.

This risk is managed by investing in investments with different maturity dates. This enables the municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents, and debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial instrument		
Receivables from exchange transactions	194 302 064	192 154 652
Cash and cash equivalents	23 822 041	10 876 224
Consumer debtors	98 092 371	76 340 857
Other financial assets	8 005 170	5 493 146

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>42. Unauthorised expenditure</b>		
Opening balance	63 740 995	-
Unauthorised expenditure for the year (Overspending of budget)	27 651 094	59 533 493
Rehabilitation of Claude Wheatly street	-	4 207 502
Electrification Grant overspend	4 033 488	-
EPWP Grant overspend	11 151	-
EU Grant overspend	645 758	-
<b>Unauthorised expenditure awaiting authorisation</b>	<b>96 082 486</b>	<b>83 740 995</b>
Unauthorised expenditure for the year is as a result of overspending of the approved budget.		
No criminal or disciplinary steps have been taken as a consequence of above expenditure.		
The unauthorised expenditure has been tabled to Council and is investigated by a committee of Council.		
<b>43. Fruitless and wasteful expenditure</b>		
Opening balance	5 049 186	169 212
Fruitless and wasteful expenditure	2 069 894	4 879 974
Less: Amounts to be recovered	(1 297 074)	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>5 822 008</b>	<b>5 049 186</b>
No criminal or disciplinary steps have been taken as a consequence of above expenditure.		
The fruitless and wasteful expenditure has been tabled to Council and is investigated by a committee of Council.		
<b>44. Irregular expenditure</b>		
Opening balance	114 384 289	79 411 888
Add: Irregular Expenditure - current year	33 328 768	34 972 401
<b>Irregular expenditure awaiting condonement</b>	<b>147 713 057</b>	<b>114 384 289</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	144 384 289	79 411 888
Prior years	33 328 768	34 972 401
	<b>177 713 057</b>	<b>114 384 289</b>
The irregular expenditure has been tabled to Council and is investigated by a committee of Council.		
<b>45. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to SALGA</b>		
Current year subscription / fee	2 358 184	1 280 968
Amount paid - current year	(2 358 184)	(1 280 968)
	-	-
<b>Skills Development Levy</b>		
Current year subscription / fee	2 110 348	1 567 458
Amount paid - current year	(2 110 348)	(1 567 458)
	-	-



# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>45. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Current year subscription / fee	1 908 116	1 810 012
Amount paid - current year	(1 908 116)	(1 810 012)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year subscription / fee	46 101 254	36 658 111
Amount paid - current year	(46 101 254)	(36 658 111)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	52 744 197	46 310 931
Amount paid - current year	(52 744 197)	(46 310 931)
	<u>-</u>	<u>-</u>
<b>Bargaining Council Levy</b>		
Current year levy	121 942	41 717
Amount paid - Current year	(121 942)	(41 717)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT payable	28 226 090	24 204 145

VAT output payables and VAT Input receivables are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

### Councillors' arrear consumer accounts

There were no Councillors' arrear accounts outstanding for more than 90 days at 30 June 2014 and 30 June 2013.

### Supply chain management regulations

Paragraph 12 (1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a Supply Chain Management Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same Gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the Annual Financial Statements.

Deviations from supply chain management regulations did occur. A detailed deviation register is available at the Municipality for inspection.

Deviation from supply chain management processes	2 756 801	9 968 230
--	-----------	-----------

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>46. Utilisation of Long-term liabilities reconciliation</b>		
Long-term liabilities raised	119 645 976	130 469 988
	119 645 976	130 469 988
Cash set aside for the repayment of long-term liabilities	-	(24 532 794)
	<b>119 645 976</b>	<b>105 937 194</b>

External loans have been utilized in accordance with the Municipal Finance Management Act. Refer to note 13 for more detail regarding long-term borrowings.

### 47. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 48. Prior period errors

#### Statement of Financial Position

Adjustments were made to correct prior year property, plant and equipment balance as a result of the following errors:

- Leased assets were duplicated on the fixed asset register to the value of R14 483;
- Other assets were duplicated on the fixed asset register to the value of R4 102 417;
- Work in progress was not capitalised in prior years to the value of R3 126 537;
- Work in progress incorrectly expensed to the value of R12 800;
- Private property included in land register to the value of R601 444 taken out;
- Greater Tzaneen Municipality properties were not accounted for in prior year to the value of R670 000;
- Carrying amount of infrastructure assets incorrectly capitalised to the value of R48 697;
- Carrying amount of assets transferred from other assets to minor assets to the value of R113 658;
- Carrying amount of assets transferred from minor asset other assets to the value of R461 357;
- Reduction in carrying amount of other assets due to depreciation overstated with R85 709;

Adjustments were made to correct prior year VAT balances as a result of the following errors:

- Vat incorrectly included in prepaid electricity to the value of R61 031;
- Vat incorrectly included in town planning applications to the value of R15 118;
- Vat incorrectly included in insurance claims to the value of R353 437;
- Vat incorrectly included in building plans to the value of R45 540.

Adjustments were made to correct prior year accounts payable balances as a result of the following error:

- Provision for long service leave to the value of R2 929 829 was not previously provided for;

Adjustments were made to correct prior year investment property balance as a result of the following errors:

- Private property taken out of asset register to the value of R11 191 000;
- Greater Tzaneen Municipality properties to the value of R10 404 000 were not previously accounted for;
- Consolidated and sub-divided stands to the value of R226 000 taken out investment property;
- Reduction in fair value of investment property with an amount of R11 422 792;
- Duplicated investment properties to the value of R1 045 000 taken out of the fixed asset register.

Adjustments were made to correct prior year accounts receivable balance as a result of the following errors:

- Reversal traffic fines incorrectly provided for to the amount of R7 393 515;
- Reversal of overspending on the EU grant of R645 758.

Adjustments were made to correct the prior year inventory balance as a result of the following errors:

- Additions to stands in prior year not accounted for on the asset register R7 820 000;
- Reversal of fair value of stands transferred from land to the value of R17 773 382.

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Prior period errors (continued)

#### Statement of Financial Performance

Prior year errors resulted in the following adjustments on the Statement of Financial Performance:

- Effect of prior year reversal of provision for traffic fines to the amount of R7 393 515;
- Overspending on EU grant taken out of Government grants which amounted to R645 758;
- Electricity income provided for between last meter reading date and year end date to the amount of R18 982 209;
- Work in progress incorrectly expensed instead of being capitalised in the prior year to the value of R3 126 537;
- Reversal of fair value of reclassification of stands held for sale to the value of R21 560 000;
- Reclassification of councillor remuneration to employee costs with an amount of R89 400;
- Allocation of VAT to the amount of R353 437 included in insurance claims in previous reporting period;
- Revenue recognised inclusive of vat on:
  - Town planning to the amount of R15 118;
  - Building plans to the amount of R45 540;
- Depreciation of R41 569 on disposed assets transferred from major to minor asset;
- Depreciation of other assets transferred from minor assets to the amount of R3 103;
- Increase in prior year accumulated depreciation on minor assets to the amount of R804;
- Fair value adjustment on investment property reduced by R11 422 792;
- Prior year stands increased by a fair value adjustment of R7 044 097;
- Depreciation on work in progress to the amount of R5 955 was reversed as it was incorrectly capitalised;
- Prior year depreciation to the amount of R170 415 on minor assets reversed;
- Reduction in depreciation with an amount of R1 613 237 after recalculation performed;
- Depreciation to the amount of R13 367 on duplicated leased assets reversed.

The correction of the errors results in adjustments as follows:

Statement of Financial Position	As previously reported	Correction of error	2013 Restated
Property, plant and equipment	1 551 897 721	1 186 871	1 553 084 592
Investment Property	188 943 792	(13 480 792)	175 463 000
Inventory	33 245 772	(9 953 382)	23 292 390
Receivables from exchange transactions	198 902 408	(6 747 757)	192 154 651
Consumer debtors	57 358 648	18 982 209	76 340 857
Accounts payable	(121 067 281)	(2 929 829)	(123 997 110)
VAT payable	(23 729 020)	(475 125)	(24 204 145)
Unspent conditional grant	31 536 518	645 758	32 182 276
Opening accumulated surplus	(1 670 308 430)	(12 480 095)	(1 682 788 525)
	-	(1 291 498)	(1 291 498)
	<u>248 780 128</u>	<u>(28 543 640)</u>	<u>220 236 488</u>

Statement of Financial Performance	As previously reported	Correction of error	2013 Restated
Depreciation	105 229 808	(2 133 349)	103 096 459
Employee related costs	127 800 852	3 019 227	130 820 079
Remuneration of Councillors	17 561 286	(89 400)	17 471 886
General expenses	48 546 111	(3 126 537)	45 419 574
Services charges	(356 168 113)	(18 921 179)	(375 089 292)
Licences and permits	(543 903)	60 658	(483 245)
Other income	(9 396 590)	353 437	(9 043 153)
Fines	(5 864 717)	7 393 515	1 528 798
Impairment of assets	(21 560 000)	21 560 000	-
Loss on disposal of assets	25 233 385	(39 621)	25 193 764
Fair value adjustment	-	18 466 889	18 466 889
	<u>(69 161 881)</u>	<u>28 543 840</u>	<u>(42 818 241)</u>

# Greater Tzaneen Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 49. Distribution losses

#### Electricity distribution losses

Units purchased (KWh)	369 202 218	374 382 693
- Units lost during distribution (KWh)	75 262 387	65 302 840
- Percentage lost during distribution	20.39 %	17.44 %

There is no possibility of recovering any of the material losses.

### 50. Budget differences

#### Material differences between budget and actual amounts

##### Statement of financial performance

##### Revenue

The variance in rental income is as a result of an increase in lease agreements during the year.

The variance in income from agency services is due to the fact that the budgeted amount include the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue.

The variance in licences and permit income is as a result of increased permits building plan approved.

The variance in other income is as a result of an increase in insurance claims paid to the council.

The variance in property rates is as a result of the valuation roll which lead to discovery of new premises that were not in the deed's office. As a result, penalties imposed on property rates therefore also increased.

A donation of property was received from the provincial government which lead to an increase in donations not budgeted for.

##### Expenditure

The variance in employee costs is as a result of payment of overtime which was not budgeted for.

Actual debt impairment is more than budgeted for as a result of an appointment of a revenue enhancement contractor.

The variance in collection costs is as a result of more money paid for legal services than recovered.

Grants and subsidies paid is less than budgeted for due to the re-advert of tenders which delayed the process of appointment.

General expenses is less than budgeted for mainly due to less insurance excess claims paid during the financial year.

The variance in gain or loss on disposal of assets is due to assets sold for less than its carrying value.

Schedule of external loans as at 30 June 2013

	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
	Rand	Rand	Rand	Rand		
<b>Loan Stock</b>						
Development Bank of South Africa	15 000 000	-	-	15 000 000	-	-
	<b>15 000 000</b>	-	-	<b>15 000 000</b>	-	-
<b>Annuity loans</b>						
Standard Bank	18 991 596	-	2 265 006	16 726 590	-	-
Standard Bank	11 159 957	-	2 360 851	8 799 106	-	-
Development Bank of South Africa	39 126 339	-	1 240 800	37 885 539	-	-
ABSA	30 028 990	-	2 759 142	27 269 848	-	-
INCA	16 163 106	-	2 198 212	13 964 894	-	-
	<b>115 469 988</b>	-	<b>10 824 011</b>	<b>104 645 977</b>	-	-
<b>Total external loans</b>						
Loan Stock	15 000 000	-	-	15 000 000	-	-
Annuity loans	115 469 988	-	10 824 011	104 645 977	-	-
	<b>130 469 988</b>	-	<b>10 824 011</b>	<b>119 645 977</b>	-	-

**Greater Tzaneen Municipality**  
**Unaudited Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>												
Land	134 660 749	-	(670 000)	-	-	133 990 749	-	-	-	-	-	133 990 749
	<b>134 660 749</b>	<b>-</b>	<b>(670 000)</b>	<b>-</b>	<b>-</b>	<b>133 990 749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133 990 749</b>
<b>Infrastructure</b>												
Roads	745 332 319	245 691 496	-	-	-	991 023 815	(284 497 389)	-	(54 490 723)	(8 404 148)	(347 392 260)	643 631 555
Storm water	41 532 409	-	-	-	-	41 532 409	(17 466 873)	-	(2 828 391)	-	(20 293 264)	21 239 145
Solid waste	1 577 142	-	-	-	-	1 577 142	(181 663)	-	(60 485)	-	(242 148)	1 334 994
Buildings	374 291	-	-	-	-	374 291	(67 845)	-	(36 156)	-	(104 001)	270 290
Retiulation	9 352 702	-	-	-	-	9 352 702	(1 284 492)	-	(368 503)	-	(1 652 995)	7 699 707
Refuse sites	44 413 251	-	-	-	-	44 413 251	(4 467 844)	-	(1 578 547)	-	(6 046 391)	38 366 870
Airports	191 751	-	-	-	-	191 751	(53)	-	(19 175)	-	(19 228)	172 523
Plant and machinery	203 695	-	-	-	-	203 695	(10 261)	-	(40 739)	-	(51 000)	152 695
Traffic	347 170	-	-	-	-	347 170	(138 805)	-	(23 118)	-	(161 923)	185 247
Water	198 000	-	-	-	-	198 000	(84)	-	(19 800)	-	(19 884)	178 146
Electricity	812 374 947	5 753 927	-	-	-	818 128 874	(220 318 001)	-	(34 488 575)	-	(254 806 576)	563 322 298
Land and buildings	14 652 369	-	-	-	-	14 652 369	(7 592 613)	-	(1 247 631)	-	(8 840 244)	5 812 125
	<b>1 670 600 056</b>	<b>251 445 423</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 922 045 479</b>	<b>(536 025 893)</b>	<b>-</b>	<b>(95 199 843)</b>	<b>(8 404 148)</b>	<b>(639 629 884)</b>	<b>1 282 415 595</b>
<b>Community Assets</b>												
Parks & gardens	28 369 500	-	-	-	-	28 369 500	(1 341 918)	-	(223 500)	-	(1 565 418)	26 804 082
Fencing	41 929	-	-	-	-	41 929	(12 593)	-	(4 193)	-	(16 786)	25 143
Roads	11 301 760	-	-	-	-	11 301 760	(2 239 973)	-	(382 227)	-	(2 622 200)	8 679 560
Municipal offices	15 375 000	-	-	-	-	15 375 000	(5 628 948)	-	(937 455)	-	(6 566 403)	8 808 597
Libraries	7 350 000	-	-	-	-	7 350 000	(600 411)	-	(100 000)	-	(700 411)	6 649 589
Traffic centre	862 000	-	-	-	-	862 000	(37 225)	-	(6 200)	-	(43 425)	818 575
Museums	1 300 000	-	-	-	-	1 300 000	(180 123)	-	(30 000)	-	(210 123)	1 089 877
Airports	128 586	-	-	-	-	128 586	(128 586)	-	-	-	(128 586)	-
Recreational facilities	8 430 667	-	-	-	-	8 430 667	(4 587 467)	-	(706 659)	-	(5 234 136)	3 196 531
Cemeteries	3 702 000	-	-	-	-	3 702 000	(226 955)	-	(37 800)	-	(264 755)	3 437 245
Road and subgrade	597 216	-	-	-	-	597 216	(173 369)	-	(59 722)	-	(233 091)	358 125
Buildings	1 070 152	-	-	-	-	1 070 152	(203 013)	-	(121 007)	-	(324 020)	746 132
Land and buildings	2 016 000	-	-	-	-	2 016 000	-	-	-	-	-	2 016 000
	<b>80 544 810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80 544 810</b>	<b>(15 366 581)</b>	<b>-</b>	<b>(2 608 773)</b>	<b>-</b>	<b>(17 975 354)</b>	<b>62 569 456</b>

**Greater Tzaneen Municipality**  
**Unaudited Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**      **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Work in progress</b>												
Work in progress	172 832 644	108 387 672	-	(96 145 423)	-	185 074 893	-	-	-	-	-	185 074 893
	<b>172 832 644</b>	<b>108 387 672</b>	<b>-</b>	<b>(96 145 423)</b>	<b>-</b>	<b>185 074 893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185 074 893</b>
<b>Leased assets</b>												
Leased assets	15 077 547	-	(2 453 702)	-	-	12 623 845	(9 288 766)	2 268 054	(2 982 467)	-	(10 003 179)	2 620 666
	<b>15 077 547</b>	<b>-</b>	<b>(2 453 702)</b>	<b>-</b>	<b>-</b>	<b>12 623 845</b>	<b>(9 288 766)</b>	<b>2 268 054</b>	<b>(2 982 467)</b>	<b>-</b>	<b>(10 003 179)</b>	<b>2 620 666</b>
<b>Other assets</b>												
Computer Equipment	6 368 711	540 310	(240 194)	-	-	6 668 827	(3 308 128)	233 848	(786 861)	-	(3 861 141)	2 807 686
Furniture & Fittings	1 708 893	202 493	(20 188)	-	-	1 891 198	(1 027 831)	13 220	(196 161)	-	(1 210 772)	680 426
Office Equipment	2 991 609	84 876	(35 074)	-	-	3 021 411	(1 908 486)	29 083	(323 660)	-	(2 203 063)	818 348
Electricity	56 299	-	-	-	-	56 299	(28 508)	-	(4 693)	-	(33 201)	23 098
Plant and machinery	9 010 899	84 127	(10 969)	-	-	9 083 857	(4 183 961)	7 315	(992 051)	-	(5 148 697)	3 935 160
Health equipment	244 936	-	-	-	-	244 936	(181 527)	-	(32 595)	-	(214 112)	30 824
Parks	30 718	-	-	-	-	30 718	(9 331)	-	(1 536)	-	(10 867)	19 851
Buildings	5 416 005	-	-	-	-	5 416 005	(1 694 793)	-	(278 978)	-	(1 973 771)	3 442 234
Security measures	600 045	32 150	-	-	-	632 195	(136 977)	-	(28 174)	-	(165 151)	467 044
Weapons	105 048	-	-	-	-	105 048	(54 288)	-	(10 513)	-	(64 801)	40 247
Motor vehicles	39 474 624	-	(2 983 125)	-	-	36 491 509	(13 448 529)	2 553 233	(5 891 467)	-	(16 786 763)	19 704 746
Land	4 788	-	-	-	-	4 788	-	-	-	-	-	4 788
	<b>66 012 385</b>	<b>923 956</b>	<b>(3 289 550)</b>	<b>-</b>	<b>-</b>	<b>63 646 791</b>	<b>(25 962 359)</b>	<b>2 836 699</b>	<b>(8 546 679)</b>	<b>-</b>	<b>(31 672 339)</b>	<b>31 974 452</b>

**Greater Tzaneen Municipality**  
**Unaudited Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**

**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Impairment Loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>												
Land and buildings	134 660 749	-	(670 000)	-	-	133 990 749	-	-	-	(8 404 148)	(639 629 884)	133 990 749
Infrastructure	1 670 600 056	251 445 423	-	-	-	1 922 045 479	(536 025 893)	-	(95 199 843)	-	(17 975 354)	1 282 415 595
Community Assets	80 544 810	-	-	-	-	80 544 810	(15 366 581)	-	(2 608 773)	-	-	62 569 456
Work in progress	172 832 644	108 387 672	-	(96 145 423)	-	185 074 893	-	-	-	-	-	185 074 893
Leased assets	15 077 547	-	(2 453 702)	-	-	12 623 845	(9 288 766)	2 268 054	(2 982 467)	-	(10 003 179)	2 620 666
Other assets	66 012 385	923 956	(3 289 550)	-	-	63 646 791	(25 962 359)	2 836 699	(8 546 679)	-	(31 672 339)	31 974 452
<b>2 139 728 191</b>	<b>360 757 051</b>	<b>(6 413 252)</b>	<b>(96 145 423)</b>	<b>-</b>	<b>-</b>	<b>2 397 926 567</b>	<b>(586 643 599)</b>	<b>5 104 753</b>	<b>(109 337 762)</b>	<b>(8 404 148)</b>	<b>(699 280 756)</b>	<b>1 698 645 811</b>
<b>Intangible assets</b>												
Computers - software	234 777	110 879	-	-	-	345 656	(103 207)	-	(86 215)	-	(189 422)	156 234
<b>234 777</b>	<b>110 879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>345 656</b>	<b>(103 207)</b>	<b>-</b>	<b>(86 215)</b>	<b>-</b>	<b>(189 422)</b>	<b>156 234</b>
<b>Investment properties</b>												
Investment property	175 463 000	19 805 000	(9 510 000)	-	-	185 758 000	-	-	-	-	-	185 758 000
<b>175 463 000</b>	<b>19 805 000</b>	<b>(9 510 000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185 758 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185 758 000</b>
<b>Total</b>												
Land and buildings	134 660 749	-	(670 000)	-	-	133 990 749	-	-	-	(8 404 148)	(639 629 884)	133 990 749
Infrastructure	1 670 600 056	251 445 423	-	-	-	1 922 045 479	(536 025 893)	-	(95 199 843)	-	(17 975 354)	1 282 415 595
Community Assets	80 544 810	-	-	-	-	80 544 810	(15 366 581)	-	(2 608 773)	-	-	62 569 456
Work in progress	172 832 644	108 387 672	-	(96 145 423)	-	185 074 893	-	-	-	-	-	185 074 893
Leased assets	15 077 547	-	(2 453 702)	-	-	12 623 845	(9 288 766)	2 268 054	(2 982 467)	-	(10 003 179)	2 620 666
Other assets	66 012 385	923 956	(3 289 550)	-	-	63 646 791	(25 962 359)	2 836 699	(8 546 679)	-	(31 672 339)	31 974 452
Intangible assets	234 777	110 879	-	-	-	345 656	(103 207)	-	(86 215)	-	(189 422)	156 234
Investment properties	175 463 000	19 805 000	(9 510 000)	-	-	185 758 000	-	-	-	-	-	185 758 000
<b>2 315 425 968</b>	<b>380 672 930</b>	<b>(15 923 252)</b>	<b>(96 145 423)</b>	<b>-</b>	<b>-</b>	<b>2 584 030 223</b>	<b>(586 746 806)</b>	<b>5 104 753</b>	<b>(109 423 977)</b>	<b>(8 404 148)</b>	<b>(699 470 178)</b>	<b>1 884 560 045</b>



**Greater Tzaneen Municipality**  
**Unaudited Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation                      Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>												
Land	142 228 601	-	(3 426 234)	(4 141 618)	-	134 660 749	-	-	-	-	-	134 660 749
	142 228 601	-	(3 426 234)	(4 141 618)	-	134 660 749	-	-	-	-	-	134 660 749
<b>Infrastructure</b>												
Roads	744 090 559	1 291 760	-	-	-	745 382 319	(236 350 404)	-	(48 146 986)	-	(284 497 390)	460 884 929
Storm water	41 532 409	-	-	-	-	41 532 409	(14 642 416)	-	(2 824 457)	-	(17 466 873)	24 065 536
Solid waste	1 577 142	-	-	-	-	1 577 142	(121 219)	-	(60 444)	-	(181 663)	1 395 479
Buildings	142 080	232 211	-	-	-	374 291	(37 499)	-	(30 346)	-	(67 845)	306 446
Refertilisation	9 352 702	-	-	-	-	9 352 702	(916 240)	-	(368 251)	-	(1 284 491)	8 068 211
Refuse sites	44 413 261	-	-	-	-	44 413 261	(2 890 377)	-	(1 577 466)	-	(4 467 843)	39 945 418
Airports	-	191 751	-	-	-	191 751	-	-	(53)	-	(53)	191 698
Plant and machinery	-	203 698	-	-	-	203 698	(115 702)	-	(10 261)	-	(10 261)	193 437
Traffic	347 170	-	-	-	-	347 170	-	-	(23 102)	-	(138 804)	208 368
Water	-	198 000	-	-	-	198 000	-	-	(54)	-	(54)	197 946
Electricity	609 785 863	2 589 084	-	-	-	812 374 947	(185 999 413)	-	(34 318 588)	-	(220 318 001)	592 056 946
Land and buildings	14 652 367	-	-	-	-	14 652 367	(6 345 840)	-	(1 246 776)	-	(7 592 616)	7 059 751
	1 665 893 553	4 706 504	-	-	-	1 670 600 057	(447 419 110)	-	(88 606 784)	-	(536 025 894)	1 134 574 163
<b>Community Assets</b>												
Parks & gardens	29 302 600	-	(933 000)	-	-	28 369 600	(1 118 571)	-	(223 347)	-	(1 341 918)	27 027 582
Fencing	41 929	-	-	-	-	41 929	(8 403)	-	(4 190)	-	(12 593)	29 336
Roads	11 301 760	-	-	-	-	11 301 760	(1 858 008)	-	(381 966)	-	(2 239 974)	9 061 786
Municipal offices	15 375 000	-	-	-	-	15 375 000	(4 691 992)	-	(936 954)	-	(5 628 946)	9 746 054
Libraries	7 350 000	-	-	-	-	7 350 000	(500 479)	-	(99 932)	-	(600 411)	6 749 589
Traffic centre	862 000	-	-	-	-	862 000	(31 030)	-	(6 186)	-	(37 216)	824 774
Museums	1 300 000	-	-	-	-	1 300 000	(150 144)	-	(29 979)	-	(180 123)	1 119 877
Airports	128 586	-	-	-	-	128 586	(128 586)	-	-	-	(128 586)	-
Recreational facilities	8 430 667	-	-	-	-	8 430 667	(3 848 231)	-	(739 235)	-	(4 587 466)	3 843 201
Cemeteries	3 702 000	-	-	-	-	3 702 000	(189 181)	-	(37 774)	-	(226 955)	3 475 045
Road and subgrade	597 216	-	-	-	-	597 216	(119 688)	-	(59 681)	-	(179 369)	417 847
Buildings	522 515	547 637	-	-	-	1 070 152	(104 719)	-	(98 295)	-	(203 014)	867 138
Land and buildings	2 016 000	-	-	-	-	2 016 000	-	-	-	-	-	2 016 000
	80 930 173	547 637	(933 000)	-	-	80 544 810	(12 749 032)	-	(2 617 549)	-	(15 366 581)	65 178 229

**Greater Tzaneen Municipality**  
**Unaudited Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Work in progress</b>												
Work in progress	83 742 422	92 952 972	-	(3 862 750)	-	172 832 644	-	-	-	-	-	172 832 644
	<b>83 742 422</b>	<b>92 952 972</b>	<b>-</b>	<b>(3 862 750)</b>	<b>-</b>	<b>172 832 644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172 832 644</b>
<b>Leased assets</b>												
Leased assets	14 375 301	2 571 867	(1 869 621)	-	-	15 077 547	(7 364 522)	1 463 130	(3 387 374)	-	(9 288 766)	5 788 781
	<b>14 375 301</b>	<b>2 571 867</b>	<b>(1 869 621)</b>	<b>-</b>	<b>-</b>	<b>15 077 547</b>	<b>(7 364 522)</b>	<b>1 463 130</b>	<b>(3 387 374)</b>	<b>-</b>	<b>(9 288 766)</b>	<b>5 788 781</b>
<b>Other assets</b>												
Computer Equipment	4 546 173	2 022 100	(199 563)	-	-	6 368 710	(2 763 915)	186 862	(726 075)	-	(3 308 128)	3 060 582
Furniture & Fixings	1 550 037	188 206	(29 370)	-	-	1 708 893	(687 516)	28 543	(168 862)	-	(1 027 830)	681 063
Office Equipment	2 853 870	230 759	(32 820)	-	-	2 991 809	(1 665 867)	86 191	(328 811)	-	(1 908 487)	1 083 122
Electricity	56 299	-	-	-	-	56 299	(23 815)	-	(4 693)	-	(28 508)	27 791
Plant and machinery	8 932 950	245 364	(167 614)	-	-	9 010 700	(3 250 953)	133 144	(1 006 153)	-	(4 163 962)	4 846 738
Health equipment	246 393	-	(1 457)	-	-	244 936	(150 398)	1 457	(32 585)	-	(181 526)	63 410
Parks	30 718	-	-	-	-	30 718	(7 795)	-	(1 536)	-	(9 331)	21 387
Buildings	5 418 005	-	-	-	-	5 418 005	(1 415 815)	-	(278 978)	-	(1 694 793)	3 721 212
Security measures	600 045	-	-	-	-	600 045	(114 429)	-	(22 543)	-	(136 977)	463 068
Weapons	105 046	-	-	-	-	105 046	(43 775)	-	(10 513)	-	(54 288)	50 760
Motor vehicles	36 855 992	3 082 608	(443 968)	-	-	39 474 632	(8 046 100)	401 831	(5 804 258)	-	(13 443 527)	26 026 105
Land	4 788	-	-	-	-	4 788	-	-	-	-	-	4 788
	<b>61 198 138</b>	<b>5 749 037</b>	<b>(934 792)</b>	<b>-</b>	<b>-</b>	<b>66 012 383</b>	<b>(18 415 378)</b>	<b>838 033</b>	<b>(9 385 012)</b>	<b>-</b>	<b>(25 962 357)</b>	<b>40 050 026</b>

**Greater Tzaneen Municipality**  
**Unaudited Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation**      **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>												
Land and buildings	142 228 601	-	(3 426 234)	(4 141 618)	-	134 660 749	-	-	-	-	-	134 660 749
Infrastructure	1 665 893 553	4 706 504	-	-	-	1 670 600 057	(447 419 110)	-	(88 606 794)	-	(536 025 894)	1 134 574 163
Community Assets	80 930 173	547 637	(933 000)	-	-	80 544 810	(12 749 032)	-	(2 617 549)	-	(15 366 581)	65 178 229
Work in progress	83 742 422	92 952 872	-	(3 862 750)	-	172 832 644	-	-	-	-	-	172 832 644
Leased assets	14 375 301	2 571 867	(1 869 621)	-	-	15 077 547	(7 364 522)	1 463 130	(3 387 374)	-	(9 288 766)	5 788 781
Other assets	61 198 138	5 749 037	(934 792)	-	-	66 012 383	(18 415 378)	838 033	(8 385 012)	-	(25 962 357)	40 050 026
	<b>2 048 368 188</b>	<b>106 528 017</b>	<b>(7 163 647)</b>	<b>(8 004 368)</b>	<b>-</b>	<b>2 139 728 190</b>	<b>(485 948 042)</b>	<b>2 301 163</b>	<b>(102 996 719)</b>	<b>-</b>	<b>(586 643 598)</b>	<b>1 553 084 592</b>
<b>Intangible assets</b>												
Computers - software	99 467	135 310	-	-	-	234 777	(49 822)	-	(53 385)	-	(103 207)	131 570
	<b>99 467</b>	<b>135 310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>234 777</b>	<b>(49 822)</b>	<b>-</b>	<b>(53 385)</b>	<b>-</b>	<b>(103 207)</b>	<b>131 570</b>
<b>Investment properties</b>												
Investment property	188 943 792	10 404 000	(12 236 000)	(226 000)	(11 422 792)	175 463 000	-	-	-	-	-	175 463 000
	<b>188 943 792</b>	<b>10 404 000</b>	<b>(12 236 000)</b>	<b>(226 000)</b>	<b>(11 422 792)</b>	<b>175 463 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175 463 000</b>
<b>Total</b>												
Land and buildings	142 228 601	-	(3 426 234)	(4 141 618)	-	134 660 749	-	-	-	-	-	134 660 749
Infrastructure	1 665 893 553	4 706 504	-	-	-	1 670 600 057	(447 419 110)	-	(88 606 794)	-	(536 025 894)	1 134 574 163
Community Assets	80 930 173	547 637	(933 000)	-	-	80 544 810	(12 749 032)	-	(2 617 549)	-	(15 366 581)	65 178 229
Work in progress	83 742 422	92 952 872	-	(3 862 750)	-	172 832 644	-	-	-	-	-	172 832 644
Leased assets	14 375 301	2 571 867	(1 869 621)	-	-	15 077 547	(7 364 522)	1 463 130	(3 387 374)	-	(9 288 766)	5 788 781
Other assets	61 198 138	5 749 037	(934 792)	-	-	66 012 383	(18 415 378)	838 033	(8 385 012)	-	(25 962 357)	40 050 026
Intangible assets	99 467	135 310	-	-	-	234 777	(49 822)	-	(53 385)	-	(103 207)	131 570
Investment properties	188 943 792	10 404 000	(12 236 000)	(226 000)	(11 422 792)	175 463 000	-	-	-	-	-	175 463 000
	<b>2 237 411 447</b>	<b>117 067 327</b>	<b>(19 399 647)</b>	<b>(8 230 368)</b>	<b>(11 422 792)</b>	<b>2 315 425 967</b>	<b>(485 997 864)</b>	<b>2 301 163</b>	<b>(103 050 104)</b>	<b>-</b>	<b>(586 746 905)</b>	<b>1 728 679 162</b>

**Greater Tzaneen Municipality**  
**Unaudited Appendix C**

June 2014

**Segmental analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Capitalised WIP Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Mayors Office	334 101	34 526	-	-	-	-	368 627	(130 417)	-	-	(45 717)	-	(176 134)	192 493
Municipal Manager	341 984	26 587	(5 238)	-	-	-	363 333	(202 817)	5 238	-	(30 902)	-	(228 481)	134 852
Planning and Economic Development	2 370 561	19 814	-	-	-	-	2 390 375	(497 848)	-	-	(250 335)	-	(748 183)	1 642 192
Financial Services	3 207 275	391 540	(126 810)	-	-	-	3 472 205	(1 643 755)	116 569	-	(513 646)	-	(2 040 832)	1 431 373
Corporate Service	2 306 081	267 945	(141 390)	-	-	-	2 432 636	(1 696 286)	137 124	-	(251 711)	-	(1 810 873)	621 763
Engineering Service	29 809 232	62 769	(2 348 620)	-	-	-	27 523 381	(9 749 773)	2 314 556	-	(3 936 354)	-	(11 371 571)	16 151 810
Community Service	21 589 874	39 035	(626 448)	-	-	-	21 002 461	(10 124 564)	240 881	-	(2 605 843)	-	(12 489 526)	8 512 935
Electrical Engineering	6 053 278	81 739	(41 247)	-	-	-	6 093 770	(1 916 899)	22 331	-	(912 189)	-	(2 806 737)	3 287 033
Infrastructure	1 670 600 057	251 445 423	-	-	-	-	1 922 045 480	(536 025 894)	-	-	(95 199 843)	(8 404 148)	(639 629 855)	1 282 415 595
Intangible	234 777	110 879	-	-	-	-	345 656	(103 207)	-	-	(86 215)	-	(189 422)	156 234
Land	134 660 749	-	(670 000)	-	-	-	133 990 749	-	-	-	-	-	133 990 749	
Leased	15 077 547	-	(2 453 702)	-	-	-	12 623 845	(9 288 766)	2 268 054	-	(2 982 467)	-	(10 003 179)	2 620 668
Investment Properties	175 463 000	19 305 000	-	(9 510 000)	-	-	185 758 000	-	-	-	-	-	-	185 758 000
Work in Progress	172 632 643	108 387 674	-	(96 145 423)	-	-	185 074 694	-	-	-	-	-	-	185 074 694
Community assets	80 544 809	-	-	-	-	-	80 544 809	(15 366 580)	-	-	(2 608 773)	-	(17 975 353)	62 569 458
Total	2 315 425 968	380 672 931	(6 413 255)	(105 655 423)	-	-	2 584 030 221	(586 746 806)	5 104 753	-	(109 423 975)	(8 404 148)	(699 470 176)	1 884 560 045
Municipality	2 315 425 968	380 672 931	(6 413 255)	(105 655 423)	-	-	2 584 030 221	(586 746 806)	5 104 753	-	(109 423 975)	(8 404 148)	(699 470 176)	1 884 560 045
	2 315 425 968	380 672 931	(6 413 255)	(105 655 423)	-	-	2 584 030 221	(586 746 806)	5 104 753	-	(109 423 975)	(8 404 148)	(699 470 176)	1 884 560 045

**Greater Tzaneen Municipality**

**Unaudited Appendix D**

June 2014

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
-	26 723 994	(26 723 994)	Executive & Council/Mayor and Council	-	32 439 377	(32 439 377)
278 772 860	192 934 405	85 838 455	Finance & Admin/Finance	332 153 540	137 476 499	194 677 041
10 397 315	18 065 038	(7 667 723)	Planning and Development/Economic Development/Plan	17 170 035	16 383 713	786 322
31 359	6 526 861	(6 495 502)	Health/Clinics	32 297	6 710 798	(6 678 501)
79 586	4 691 521	(4 611 935)	Comm. & Social/Libraries and archives	68 910	6 264 875	(6 195 965)
1 616 428	13 973 196	(12 356 768)	Housing	1 188 747	11 966 761	(10 778 014)
(1 836 036)	25 074 079	(26 910 115)	Public Safety/Police	3 214 889	28 719 485	(25 504 596)
66 609	17 809 671	(17 743 062)	Sport and Recreation	39 731	20 043 021	(20 003 290)
31 642 298	57 479 606	(25 837 308)	Waste Water Management/Sewerage	23 745 602	68 758 827	(45 013 225)
81 217 869	93 690 484	(12 472 615)	Road Transport/Roads	227 641 514	137 336 804	90 304 710
358 014 646	340 363 788	17 650 858	Electricity /Electricity Distribution	360 060 856	348 275 496	11 785 360
<b>760 002 934</b>	<b>797 332 643</b>	<b>(37 329 709)</b>		<b>965 316 121</b>	<b>814 375 656</b>	<b>150 940 465</b>

# Greater Tzaneen Municipality

## Unaudited Appendix E(1)

June 2014

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 Jun 2014

	Current year 2014 Act. Bal.	Current year 2014 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
<b>Revenue</b>					
Property rates	66 345 319	51 460 000	14 885 319	28.9	Valuation roll lead to discovery of new premises that were not in the deed's office.
Service charges	363 356 429	401 775 773	(38 419 344)	(9.6)	
Property rates - Penalties imposed	4 770 262	3 900 000	870 262	22.3	Valuation roll lead to discovery of new premises that were not in the deed's office.
Rental of facilities and equipment	872 882	259 100	613 782	236.9	Increase in lease agreement.
Interest received (trading)	17 343 422	16 000 000	1 343 422	8.4	
Income from agency services	14 886 079	44 448 250	(29 562 171)	(66.5)	The budgeted amount include the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue
Fines	3 665 353	3 210 136	455 217	14.2	Cameras used for traffic control.
Licences and permits	540 614	345 000	195 614	56.7	Increase as a result of increased permits building plan approved.
Government grants	309 061 237	339 509 000	(30 447 763)	(9.0)	
Other Income	10 658 340	38 450 817	(27 792 477)	(72.3)	Increase in Insurance claims paid to council.
Interest received - investment	2 164 145	3 001 000	(836 855)	(27.9)	Less Interest on investment was received due to available money committed to service delivery.
Donation received	155 300 000	-	155 300 000	-	Donation of roads received from provincial governments.
	<b>948 964 082</b>	<b>902 359 076</b>	<b>48 605 008</b>	<b>5.2</b>	
<b>Expenses</b>					
Employee related costs	(173 147 517)	(131 774 472)	(41 373 045)	31.4	An Increase to employee related costs due to payment of overtime.
Remuneration of councillors	(19 031 200)	(18 618 694)	(412 506)	2.2	
Loss on inventory	744 777	-	744 777	-	
Depreciation	(109 423 978)	(110 726 401)	1 302 423	(1.2)	
Impairments	(8 404 148)	-	(8 404 148)	-	
Finance costs	(11 799 488)	(11 489 393)	(310 095)	2.7	
Debt impairment	(21 745 127)	(11 006 000)	(10 739 127)	97.6	Increase in debt impairment is due to the appointment of revenue enhancement contractor.
Collection costs	(157 432)	(200 000)	42 568	(21.3)	More money was paid for legal services than recovered.
Repairs and maintenance	(93 608 864)	(100 111 875)	6 503 011	(6.5)	
Bulk purchases	(239 064 261)	(248 769 734)	9 705 473	(3.9)	
Contracted Services	(40 680 292)	(38 947 872)	(1 732 420)	4.4	
Grants and subsidies paid	(32 291 163)	(36 774 695)	4 483 532	(12.2)	Due to re-advert of tenders which delayed the process.
General Expenses	(57 470 006)	(85 605 583)	28 135 577	(32.9)	Less Insurance excess claims paid during the financial year.
	<b>(806 078 699)</b>	<b>(794 024 719)</b>	<b>(12 053 980)</b>	<b>1.5</b>	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	(8 296 956)	2 300 000	(10 596 956)	(460.7)	Assets sold less than the carrying value amount.
Fair value adjustments	16 352 038	-	16 352 038	-	
	<b>8 055 082</b>	<b>2 300 000</b>	<b>5 755 082</b>	<b>250.2</b>	
Net surplus/ (deficit) for the year	<b>150 940 465</b>	<b>110 634 357</b>	<b>40 306 108</b>	<b>36.4</b>	

**Budget Analysis of Capital Expenditure as at 30 June  
2013**

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
<b>Municipality</b>					
Executive & Council	53 082	603 000	549 918	91	Delay in supply chain processes
Finance & Admin	778 713	5 276 500	4 497 787	85	Delay in supply chain processes
Planning & Development	13 710 492	27 785 000	14 074 508	51	Delay in supply chain processes
Waste Management	65 565	100 000	34 435	34	Delay in supply chain processes
Road Transport	330 514 423	147 907 961	(182 606 462)	(123)	Delay in supply chain processes
Electricity	15 745 655	35 810 000	20 064 345	56	Delay in supply chain processes
	<b>360 867 930</b>	<b>217 482 461</b>	<b>(143 385 469)</b>	<b>(66)</b>	